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NEWS SUMMARY

GENERAL

Iran to ban U.S. listening posts

Iran is to stop Americans manning secret "eavesdropping" equipment along the Soviet border, according to the Chief of Staff of the revolutionary armed forces.

But Iranian authorities released a 22-year-old U.S. marine, wounded in last week's guerrilla attack on the U.S. Embassy, after saying he would stand trial.

The marine, earlier reported kidnapped, was seen entering the embassy by a television crew. Embassy officials ordered the marine not to speak to journalists and would not make any statement on the affair. Earlier report, Page 3

Management defended

Sir John Methven, director-general of the CBI, strongly defended the record of British management in the face of criticism by Prince Charles that it did not seem to understand the importance of the human factor. Page 6

Suez oil find

Israel has struck the biggest well so far found in the Gulf of Suez oilfield which it is due to hand over to Egypt when a peace agreement is signed. Page 3

City high-rise

A big high-rise redevelopment scheme for the City of London, including offices and flats, is being considered by council officials. The proposals have been made by the St. Bartholomew's Hospital Trustees and Wimpey. Page 6

Irishman sought

Scotland Yard issued a photograph of Gerard Fussett, the Irishman wanted in connection with terrorist offences, including London car bombings. It says a garage he rented in Golders Green was probably used as a bomb factory.

Fish dispute

The EEC Commission has decided to take Britain to the European Court over its granting of herring quotas in two areas where herring fishing has been banned by the Community. Page 2

Israel condemned

The United Nations Human Rights Commission has passed resolutions condemning Israeli policies and practices in the occupied territories and a large majority of the commission urged support of the Palestine Liberation Organisation.

Out and about

BL Cars defended its use of train robber Ronald Biggs's name as part of a £400,000 advertising campaign to promote the Mini. It "nips in out of parking spaces just like Biggs nipped out of Britain," the campaign claims.

Unhappy landing

A Belgian military plane bound for Zaire landed by mistake at a Cuban base in Angola. The pilot realised his error when he saw Soviet-built fighters on the tarmac. He apologised and took off again within five minutes.

Briefly . . .

Italian state radio will be the first to broadcast a play written by Pope John Paul II.

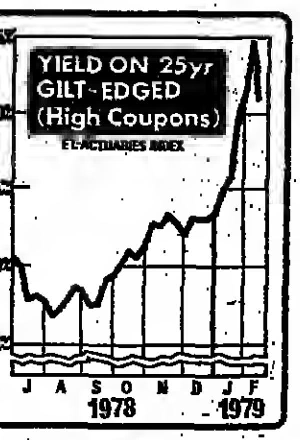
East Germany has awarded Soviet Premier Alexei Kosygin its highest honour, the Order of Karl Marx, to mark his 75th birthday.

BUSINESS

Equities fall 3.4; gold up $2¾

● EQUITIES closed lower, reflecting after-hour concern over the China-Vietnam tension, and the FT 30-share index closed 3.4 down at 456.9.

● GILTS saw fresh overseas investments but demand waned with revival profit-taking and more fund raising. The FT Government Securities Index rose 0.03 to 66.31.



● STERLING gained 30 points to close at $2.0075, and its trade-weighted index rose 0.2 to 63.9, the highest since early January. The dollar was also quite firm, and its depreciation was unchanged at 8.2 per cent.

● GOLD rose $2¾ to $250¾ in London.

● WALL STREET was up 0.17 at 834.72 near the close.

● A NEW APPROACH to foreign exchange market intervention by central banks was urged yesterday by Mr. Harold Lever at an FT ... Euromarkets. Back and Page 5

● A PRIVATE Canadian company, Olympia and York, has made a £48m, 50p-a-share cash offer for English Property Corporation. Back Page

● BOC has agreed with the U.S. Securities and Exchange Commission to pay $2.75m to people who sold Airco stock but who did not participate in tender offers between November 1977 and February 1978.

● AIRBUS INDUSTRIES, the French-based concern, expects definite orders and options for the A300 Airbus to exceed 200 by the end of March. Page 4

● FAIR TRADING Office has asked mail order book and record publishers to improve their handling of complaints and "exercise proper caution" in billing and debt collections. Page 6

● RISING airline costs could lead to air fares going up instead of continuing to decline, British Caledonian Airways chairman has warned. Page 6

LABOUR

● UNION OFFICIALS representing 4,500 manual workers at the UK Atomic Energy Authority have agreed to recommend a pay offer worth 8.8 per cent. Page 7

● RAIL UNIONS have rejected a 6.38 per cent offer, but British Rail has agreed to consider a comparability study with the private sector. Page 7

COMPANIES

● CARRINGTON VIYELLA, the textiles group, cut its pre-tax profits shortfall to £1.55m at £14.51m for 1978 following a second-half rally. Page 30 and Lex

● WEDGWOOD, the china and pottery manufacturer, pre-tax profits were unchanged at £6.28m for the nine months to December 30. Page 30

● EAGLE STAR Insurance Company is to form a holding company called Eagle Star Holdings to control all group operations. Page 31

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Funding 5½pc 1982-84	£81½	+ ½
Barrow Milling	62	+ 7
Brotherhood (P.)	102	+ 9
Burton A	198	+ 5
Craig & Rose	700	+ 85
Eagle Star	135	+ 5
Elecn	64½	+ 3
Grippercrods	89	+ 9
Haslemere Ests	282	+ 6
Hostock Johnsen	162	+ 6
Intl Thomson	357	+ 15
Jones (E.) (Jwllrs.)	169	+ 7
Kent (M. P.)	46	+ 6
Kode Intl	174	+ 6
Office & Electronic	141	+ 7
Textured Jersey	48	+ 5
Trafford Park Est.	139	+ 8
Wilkinson Match	166	+ 8
Anglo-Indonesian	118	+ 14
London Sumatra	240	+ 13
Rush'wise	135	+ 8
Killinghall Tin	315	+ 15
Otter Expln.	35	+ 4
Pacific Copper	109	+ 7
RTZ	290	+ 8
Sungei Besi	240	+ 10
Trans. Cons. Land	£17½	+ ½
West Rand Cons.	138	+ 14

FALLS

Treasury Variable 1982	£94½	− ½
Assoc. Book Publishers	311	− 7
De Vere Hotels	236	− 9
Glaxo	478	− 7
Jacksons Bourne End	111	− 12
Man. Agency & Music	130	− 8
Neill (J.)	73	− 7
North (M. F.)	34	− 2
Utd. Scientific	242	− 12
Vantona	116	− 7

Unions recommend 9% plus £1 offer to manual workers

BY ALAN PIKE, LABOUR CORRESPONDENT

Union negotiators agreed yesterday to recommend a settlement of the month-long local authority manual workers' dispute. They now face the possibly difficult task of persuading their members to accept the package.

The peace formula is based on a 9 per cent improvement in present rates, a comparability study which offers more money in August, and—a new element announced yesterday—an immediate £1-a-week payment in advance of the comparability exercise.

Today, similar offers will be made to representatives of National Health Service ancillary workers and ambulancemen. The Government is now optimistic that all the public service disputes which have caused widespread inconvenience and disruption will come to a speedy end.

Mr. Peter Shore, the Environment Secretary, said that the proposed comparability study would help achieve "a sense of fairness in the determination of local government pay."

Local authority employers and union leaders, who had said that an earlier offer of £3.50 a week plus consolidation of £5 supplements was worth 9 per cent, declined to put a percentage figure on the package now that the extra £1 has been introduced.

Mr. Shore still described it as a 9 per cent settlement consistent with the Government's policy of allowing special amounts to the lower-paid.

The extra £1 a week will go to all local authority workers who work 35 hours a week or more, and wil be offset against the first instalment of the comparability exercise in August.

It will ze paid as a supplement, and if not offset would be worth something over 1 per cent in a full year.

Although it is a comparatively modest improvement, union leaders will stress to their members that the immediate cash value of the settlement has risen from £3.50 to £4.50, with the promise of more to come.

Despite the reluctance of national officials to speak in percentage terms, there are likely to be local calculations that an immediate settlement in double figures has been achieved.

The first test of the offer will come today, when it will be considered by the local government committee and executive of the most militant union involved, the National Union of Public Employees.

Together with the other unions, the General and Municipal, and Transport and General, NUPE will consult its members at local level in the coming week.

Industrial action will continue in the meantime, and the earliest date for a return to normal working is likely to be the beginning of next month.

The continuing impact of the disputes was demonstrated yesterday when, against union advice, ambulance crews in London, Manchester and Somerset staged a total 24-hour strike.

About half London's ambulancemen took part in the unofficial action, and with 36 stations closed troops and police were called in to assist crews who continued working.

The strikers' action was condemned as irresponsible by Mr. David Ennals, the Social Services Secretary.

Under the pay comparability studies proposed by the Government for the local authority, ambulance, health and university manual workers, 50 per cent of any increases awarded by a proposed standing commission will be made in August, and the remainder in April 1980.

The Government hopes that once the immediate wave of disputes is settled the standing commission may be able to continue its work elsewhere in the public services.

It was apparent from Mr. Shore's remarks yesterday that higher-paid groups will not necessarily receive comparability awards on the same time scale as the manual workers.

Editorial comment, page 18

Cabinet poised to decide public spending limits

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE CABINET is this morning due to decide the cash limits on public spending for the financial year starting in April. But several senior ministers want to postpone a decision until the budget options have been fully reviewed.

The Treasury has been pressing for fairly tight limits on money outlays in both central and local government, implying a squeeze on the volume of spending in a wide range of public services.

The hope last night was that Mr. Joel Barnett, the Chief Secretary, would be able to make a Commons statement either today or tomorrow.

It is also possible that Mr. Michael Foot, the leader of the Commons, may this afternoon announce the timing of the Budget. The date is still uncertain but it could be after Easter, on April 24 or May 1.

There will be considerable City interest in the pay assumptions in the cash limits in view of the implications for public sector borrowing and the Budget.

Mr. Denis eHaley, the Chancellor, has maintained that any adjustment in cash limits would not fully match pay rises above the official guidelines and there would have to be offsetting action.

This view is believed to have been criticised by ministers most concerned with local authorities and the health services where pay furms a high proportion of cash limits, and consequent cuts might be ignificant.

A sizeable and influential group has argued against rushing a decision on the grounds that the overall economic prospects and the choice between taxes and expenditure should be reviewed oearer the Budget.

These Ministers have apparently said that they accept the £8.5bn public sector borrowing ceiling in 1979-80, as stated by Mr. Healey, and their objections are merely about the nature and balance of any fiscal action.

There is a suspicion that by pressing for tight cash limits now the Treasury is intending surreptitiously to achieve cuts in the volume of spending and avoid the political controversy of an explicit cuts exercise.

One possibility is that there will be a compromise whereby there is a statement of intent about the overall increase in cash limits an dlater discussion about the allocation. But any decisions will have to be made soon for administration reasons.

Lombard Page 16

More PAYE investigation staff

BY MICHAEL LAFFERTY

THE Inland Revenue is increasing the number of its Pay As You Earn audit staff by 50 per cent in a new effort to combat tax evasion. The move will mean that almost all companies will receive a visit from the Revenue investigators at least once every five years.

The increase, which will mean that numbers in the PAYE audit department will go up to about 300, is revealed in yesterday's annual report from the Commissioners of Inland Revenue. It is said to arise from the discovery of "growing amounts of irregularity" in the course of inspecting employers' books and records of PAYE tax deductions from employees.

PAYE audit staff make upwards of 15,000 inspections every year, says the report. In the year to October 1977, the staff recovered £7m of under-deducted tax, together with £1m in penalties.

Members of the PAYE audit department typically operate in groups of two or three from about 60 offices throughout the UK.

PAYE audit is the only area where the Inland Revenue carries out investigations on company premises on a regular basis. However, the Revenue said yesterday, it is normal for the audit staff to make appointments in advance.

The expansion of the audit staff follows a number of other Inland Revenue moves to combat tax evasion and avoidance in recent years. Most important probably has been the establishment of four special offices in London, Edinburgh, Birmingham and Manchester.

These have an average of 17 staff each, and are generally used to co-ordinate action between different tax offices on subjects such as casual workers in Fleet Street, porters in Smithfield and divers in the North Sea. In the year to October, 1977, the three special offices then in operation brought in £6½m extra tax.

Another development has been the formation of specialised units at Somerset House to deal with areas such as transfer pricing.

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FEATURES

For latest Share Index phone 01-246 8026

CBI sets terms for concordat talks

By Hazel Duffy, Industrial Correspondent

THE CONFEDERATION of British Industry is prepared to meet the Government to discuss the Government/TUC "Concordat" only if its own proposals on the reform of wage bargaining are given equal weight in the discussions, it said yesterday.

No invitation from the Government has yet been received by the CBI, but the Prime Minister made it clear when announcing the concordat in the Commons that it should lead to wider discussions, and the CBI is expected to be invited to meet senior ministers some time next month.

The CBI proposals for dage bargaining reform within the context of a national economic forum were published last week.

Folloding its monthly council meeting yesterday, the CBI also said it would not be willing to take part in tripartite discussions on the next pay round in March.

Behind the CBI's decision is its belief that it will not be possible by then to have a clear picture on the current pay round, while the possibility of a late Budget could mean that the Chancellor would be talking with the CBI and the TUC at a time when major Budget changes were still some way off. The CBI will meet the Chancellor next Wednesday to present its own Budget proposals.

Right time

May or June is a more appropriate time for talking about the next pay round, in the CBI's view. By then, the CBI aims to have published its own review of the economy in preparation for such discussions.

The CBI's approach to all such discussions is coloured by the opposition of its members to any drift towards the "corporate State." Fears of this were expressed again at yesterday's council meeting.

In spite of the reservations expressed yesterday about the outcome of the present pay round, the CBI's data bank is, according to CBI officials, showing that settlements in the private sector appear to have been very little affected by the road haulage settlement.

The average settlement, it is said, is coming out a little over 10 per cent, including self-financing productivity schemes, in the private sector. Pressure for re-opening settlements made earlier in the pay round has been much less than had been feared during recent high settlements.

Pound rises before new gilts issue

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING yesterday rose to its highest level since early January as inflows of foreign currency built up ahead of today's issue of two new gilt-edged stocks.

The *gilt-edged market* remained firm yesterday and the market expectation is still that the two stocks should be well over-subscribed when lists open this morning.

The pound rose against both a firm dollar and the main Continental currencies. It closed 30 points up at $2.0075 while the trade-weighted index of its value against a basket of other currencies rose by 0.2 to 63.9—a rise of nearly 1 per cent since the beginning of the month.

Dealers said that some of the buying was directly linked to purchases of gilt-edged stock because of the high interest rates relative to other major centres.

There were reports of some overseas buying of gilts early yesterday, although activity was generally quieter than at the start of the week. This was because UK investors were waiting to see the response to the issue—of which only £188m out of £1.25bn is payable on application.

The inflows from abroad do not appear so far to have been on a scale to cause any real worries for the authorities about the control of the money supply. The pressures are seen as being very much smaller than those which boosted the money supply in 1977.

The strength of both the gilt-edged and the money markets has led to speculation about a possible cut in Minimum Lending Rate, which is now well above the level indicated by Treasury bill rates. But the market view last night was that the authorities might be reluctant to cut MLR this week, only a fortnight after raising it by 1½ points to 14 per cent.

Nevertheless, if the new stocks are well over-subscribed further pressure could be created in the money markets and the authorities will presumably relieve any temporary liquidity problems for the banks. The Bank of England on Monday released £890m of special deposits into the system to deal with the shortages created by the sale of more than £1bn of gilts in the previous 10 days.

£ in New York

—	Feb. 20	Previous
Spot	$2.0035-0045	$2.0035-0045
1 month	0.44-0.59 dis	0.49-0.44 dis
3 months	1.15-1.10 dis	1.32-1.27 dis
12 months	4.40-3.85 dis	4.70-4.50 dis

Italy Premier move

BY PAUL BETTS IN ROME

A NON-CHRISTIAN Democrat politician is expected to be asked to attempt to form a government in Italy for the first time since the war.

Sig. Ugo La Malfa, the 75-year-old chairman of the small but influential Republican Party and a former Deputy Prime Minister, is to see President Sandro Pertini today.

Sig. La Malfa: seeing President

The President is likely to give him the mandate in an attempt to resolve Italy's 40th government crisis since the fall of Fascism.

It follows the failure of Sig. Giulio Andreotti, the out-going Christian Democrat Prime Minister, to rebuild a parliamentary majority to suport a Christian Democrat minority administration.

After two weeks of unsuccessful consultation with the main opposition parties—the Communists and the Socialists—Sig Andreotti last night informed President Pertini, a Socialist, that he was giving up his attempt to form a government.

The latest crisis, now in its fourth week, follows the decision in January of the powerful Communist Party to withdraw its support to the minority

Continued on Back Page

Britain's fishery measures to be challenged in court

BY MARGARET VAN HATTEM IN BRUSSELS

THE EEC Commission decided yesterday to take Britain to court over its national fisheries measures.

The measures concerned involve the granting of herring quotas to small boats in two areas where herring fishing is banned—the Mourne fishery off northern Ireland and the Isle of Man fishery—and the enlargement of the Norway Pout Box, an area in the North Sea where industrial fishing is banned.

The Commission considers the small-boat measures to be discriminatory in effect, if not in wording, since only British vessels of the size stipulated fish those waters.

The Commission says the third measure, which affects Danish fishermen mainly, is unnecessary. Britain extended the ban on industrial fishing in an attempt to protect endangered breeding stocks by enlarging the Pout Box by two degrees. The Commission had proposed a one-degree extension.

The legal proceedings are part of the wider struggle between Britain and its EEC partners to formulate a common policy for fish stocks in the 200-mile Community "pond." Britain has held out for more than two years against proposals accepted by the other eight.

In the absence of a common policy, a member state may introduce national fisheries measures in its own waters, provided they are non-discriminatory, urgent, necessary, and provided the Commission's approval is sought in advance.

The Commission opened proceedings against Britain late last year. It invited the British Government to justify the measures and then rejected its arguments and called for withdrawal of the measures.

Earlier this week in Brussels, Mr. John Silkin, Britain's Minister of Agriculture, Fisheries and Food, made a last-minute attempt to prevent the case being referred to the European Court of Justice. He blocked a framework fisheries agreement with Canada, indicating that he would lift his objection if the Commission agreed to drop the two charges relating to herring quotas, and to delay action on the Pout Box issue, pending further scientific evidence.

Hints were dropped that the Commission might consider this if Britain modified its national measures along lines suggested earlier by the Commission. Mr. Silkin did not accept this and continued to block the Canadian agreement.

Showing a Socialist flag in conservative Granada

By Robert Graham in Madrid

"THIS IS not an easy place for us," the Socialist Party official whispers as we wait for the election rally to begin. The Socialist's leading parliamentary candidate for Granada province, Sig. Jose Vida Soria, has been brought in to show the flag in slightly hostile territory.

I realised as much when I reached the village of Cogollos Vega, its tiny white houses almost hidden in the grandeur of the Sierra Nevada, near Granada.

The meeting was being held in the elementary school. A notice inside the main classroom said Cogollos Vega had 2,008 inhabitants. Politics here is still for men, and 80 of them had crowded into the room, their bulks fitting awkwardly on to the small seats.

They are all farmers, either small property owners or agricultural labourers existing off small-scale olive cultivation and some vegetable produce.

It is this type of conservative community which helped give the Government a 43 per cent majority in this region in the June 1977 elections.

The candidate's smooth, well-razored face, sleek hair, grey suit, white shirt and tie, are in stark contrast to the rough practical working clothes of the audience. Sig. Veda Soria teaches law at Granada University and was a Senator in the previous Parliament, being on the committee which drafted Spain's new constitution.

He begins with almost exaggerated deference to his audience. Perhaps he realises the faint absurdity of himself, such a prosperous city-looking figure, preaching Socialism in such a poor rural environment. But his audience is utterly silent.

With a mixture of natural politeness towards the stranger, respect for an educated man and genuine interest in major events, it bangs on his every word.

Careful not to talk down, the candidate explains why the elections are being held in the wake of the referendum approving the constitution. "The next Parliament will formulate laws based upon the constitution and these laws will last for 50 years. If, therefore, you want a Socialist emphasis, you much support the Socialist Party now."

The first reaction comes when he touches the nerve of unemployment. For each month in office, he says, the Government has caused 20,000 more unemployed. He has scored a point. He then goes on to detail the Socialist record, emphasising the main line of party propaganda—that it is a responsible party, capable of government.

The conclusion is a clever one for this traditional audience. He carefully explains that Socialism does not contradict Christianity. "I am a believer and a practising one."

There is no applause. No one knows quite what to do as he waits, still standing, to answer questions. The ice is broken by the local comedian who asks a wholly irrelevant question that prompts loud laughter.

There are some awkward questions. One young unemployed labourer wants to know the difference between the ruling UCD and the Socialists. Another man asks why, at its last congress, the party dropped the word Marxism from its platform ideology. He ducks both these questions. The gradual movement of people out of the room signals that the meeting is breaking up.

A burly man who was at the meeting comments reluctantly: "We are conservative here. We have not bad politics brought to the village for so long and it is difficult for us to make up our minds."

Germans turn out in force for Paris talks

BY JONATHAN CARR IN BONN

LITTLE PROGRESS is expected in Franco-West German consultations starting in Paris today on the farm financing problem which is blocking the formal start of the European Monetary System (EMS).

President Valery Giscard d'Estaing and Chancellor Helmut Schmidt (pictured left) seem certain to raise the issue—at least as a topic for the agenda of the European Council meeting in Paris on March 12 and 13.

But the absence of Herr Josef Ertl, the Agriculture Minister, from the West German delegation at this round of the twice-yearly talks, indicates that no substantial movement on the farm problem is likely.

Herr Hans Matthoefer, the West German Finance Minister, who will be present, has already made clear that he thinks the matter, involving French demands for phasing out monetary compensatory amounts (MCAs) in farm trade, is one for the Agricultural Ministers.

Also present in the West German party will be the Foreign, Labour and Technology Ministers. This is a bigger number than had seemed likely.

It is reliably understood that some Ministers had made appointments elsewhere, but were urged by Chancellor Helmut Schmidt to drop them.

Important international topics which are expected to be discussed include the Chinese intervention in Vietnam, the unrest in Iran and its impact on energy supplies to the West, as well as East-West disarmament.

French plan for 320,000 new jobs

BY TERRY DODSWORTH IN PARIS

THE STEADY worsening of unemployment in France, underlined by predictions that 1.5m workers could be looking for jobs by the end of the year, has led to the unexpectedly swift publication of a report pointing to ways of creating 320,000 new openings.

Prepared by M. Robert Fabre, the former left-wing Radical Party leader, who was won over to head the Unemployment Commission, the full report is due to be published in April. But the Government is clearly looking for any good news at the moment which can help to offset the steady flow of redundancy announcements.

Only this week there have been bitter demonstrations in the Loire region around St. Etienne, in which 50,000 marchers took to the roads and closed off communications in the area.

This protest, described as unprecedented for the Loire, follows a series of similar events in other parts of France and, particularly, in Lorraine. M. Pierre Messmer, head of the regional planning council for Lorraine, said this week that 20,000 jobs must be created in the region, following the rundown in the steel industry.

M. Fabre's job-creation plans lean heavily on the notion of expanding the public services. He argues, for example, that local authorities could produce some 70,000 new employment opportunities by expanding public works and by encouraging new ventures.

Similarly, he believes that the central Government could create some 80,000 posts by a mixture of expansionary measures and early retirement.

In the private sector, he would like to see more government assistance for companies which are basically sound, but going through a difficult patch; and in sectors like this would often cost the state less than the expenditure on social services for the unemployed.

A further 140,000 jobs could be provided by preventing "moonlighting," and by new regulations on working hours. These measures would stop pensioners from taking employment and forbid the practice of having two different jobs.

These ideas have been presented to President Valery Giscard d'Estaing as a preliminary outline of more substantial proposals to come later. First responses indicate that they are unlikely to do much to damp down the current tide of anti-Government feeling, partly because the measures have not been clearly costed or given a definite time-scale.

Inflation spurt threatens Italy

BY RUPERT CORNWELL IN ROME

A RISE of 1.9 per cent in the Italian retail price index in January, the worst performance in a single month since 1977, has cast a dark shadow over the economic recovery which seemed to be steadily developing here.

Figures released by ISTAT, the Italian statistics institute, show that the annual inflation rate has as a result jumped to 12.9 per cent, bringing to an abrupt end a period of steady decline to just under 12 per cent by the end of last year.

There are a number of special factors to explain the January rise, most notably the operation of a new law, which had the effect of pushing up many controlled rents last month, and which alone added 0.9 per cent to the index. Bad weather also pushed seasonal food prices sharply higher.

However the omens for the coming few months are not encouraging, and January's performance makes it increasingly unlikely that the Government's target of inflation in the 10 to 11 per cent range for 1979 will be met.

The very vigour of the current industrial recovery has made many observers express familiar fears of a new surge in inflation as Italian manufacturers step up their demand for increasingly expensive raw materials.

The most obvious case is oil, for which Italy is almost entirely dependent on imports. It is likely that electricity tariffs will rise shortly and petrol become more expensive. The pump price of 1,500 per litre (£1.35 per gallon) has been unchanged since late 1976 but remains among the highest in Europe.

The inflationary upsurge can only complicate the already difficult wage contract negotiations now under way in several key sectors, including building and engineering workers, covering the period from 1979 to 1981.

Talks between engineering employers, representing such companies as Fiat, Olivetti and Alfa Romeo have come to a virtual standstill.

The unions have scheduled a four-hour nationwide stoppage today by the 1.5m workers involved, to back claims which include a cut in the working week to between 36 and 38 hours and a rise of L30,000 (£17) per month on top of increases under the "scala mobile" automatic wage indexation mechanism.

The strike call has coincided with the decision by the three main federated unions to break off talks with Confindustria, claiming a completely negative approach by the Italian employers' federation over the problems of youth unemployment, job mobility and unregistered labour.

Barre rejects reflation calls

BY ROBERT MAUTHNER IN PARIS

M. RAYMOND BARRE, the French Prime Minister, has once again stated categorically that the Government will not modify its current policies of economic restraint, in spite of serious employment difficulties in the steel industry and other ailing industrial sectors.

M. Barre, on the one hand firmly rejected the appeals by M. Jacques Chirac, the Gaullist leader, for reflationary measures, which, he said, would create no more than "artificial euphoria" and would prove to have only a very temporary effect. On the other hand, he did not rule out measures to stimulate industrial investment "at the appropriate time."

Replying to criticisms, not only from the Left-wing opposition parties but also from the Gaullists and even some of President Giscard d'Estaing's own supporters, that the Government was not taking the present crisis seriously enough, M. Barre said that it was pointless to chop and change economic policy all the time. It had to be conducted with continuity.

In a special reference to the steel industry, where the Government's restructuring plan has led to a massive loss of jobs and provoked angry demonstrations in Lorraine and other affected regions, the Prime Minister said it was a question of the industry's survival.

A fundamental re-organisation of the French steel industry was an absolute necessity, if France wanted to prevent the West German steel industry and its Benelux "satellites" from becoming completely dominant in Europe.

It did not make sense to talk of employment in isolation, M. Barre said. The creation of jobs depended on the financial solidity of companies, their capacity to pay wages, their ability to sell their products at competitive prices, and thus to make the profits which could then be invested.

Common crime links with terror

BY PAUL BETTS IN ROME

A SERIES of brutal killings is causing alarm in many Italian cities because of what is seen as the growing link between political terrorism and common crime.

The link between terrorists and ordinary criminals has surfaced in the suburbs of several major cities such as Rome and Milan. According to the police, political extremists are exploiting the current upsurge in ordinary crime and criminals are sheltering behind dubious political labels.

A major cause of concern is the claim by an increasing number of common criminals that their activities are politically justified.

Two incidents have shocked public opinion. In Milan, a jeweller was shot dead by criminals who later issued a communique claiming that they belonged to an extreme Left-wing group. They said they were punishing the jeweller because he had resisted an attempted robbery a few weeks earlier.

The jeweller, Sig. Pier Luigi Torregiano, was dining in a restaurant when a gang of self-styled "proletarian" youths burst in to rob those present. Sig. Torregiano, who was armed, shot one of the assailants.

In a similar incident, a butcher in the Veneto was shot some days after he thwarted a robbery at his shop. In both cases, criminals later claimed that whoever opposed the activities of "proletari" were "lackeys of the system" and should be "eliminated." In a campaign of intimidation, a series of communiques has been released since by alleged extremists giving warning of the consequences of interfering in their activities.

For some months, restaurants have been the target of criminal raids. Concern has been voiced by restaurant owners, who claim that business has suffered, particularly in the evenings. So-called "proletarians" have also been known to raid cinemas and city buses demanding reduced "political" prices.

There is also alarm at the increasingly savage methods adopted by criminals. One daily newspaper yesterday devoted two pages to lists of criminal episodes in Italian cities in the previous 48 hours. These included gunfights between police and criminals in Naples and on the Bologna-Rimini motorway, and the killing, among others, of an elderly couple who were asleep when their home was burgled.

Romanians firmly neutral on China

By Paul Lendvai in Vienna

WHILE SOVIET, Czechoslovak and Hungarian media attack Romania's neutral position on the China-Vietnam war, Scinteia, the central party newspaper in Bucharest has again appealed to both sides to stop fighting and resolve their conflict by negotiation.

Romania is the only Warsaw Pact country which has not joined the chorus of anti-Chinese attacks and indignation. It has merely expressed "deep sorrow and concern."

President Nicolae Ceausescu, the Romanian leader has also condemned Vietnam's invasion of Cambodia and rejected Soviet demands for higher military spending.

Czechoslovak television has twice attacked the "neutralistic" stance of the Romanian mass media. And the Soviet news agency Tass has reported a recent meeting of East bloc parliamentarians in Bucharest at which "Chinese aggression" was condemned by all except Romania.

Moscow Radio, in a Romanian language broadcast, also said that Bucharest's failure to take sides in view of the "treacherous attack on heroic Vietnam" was a carte blanche for aggressors.

Last but not least Nepszabadsag, the central organ of the Hungarian Communist Party, remarked yesterday in a clear allusion to Romania that tolerating Chinese aggression meant tolerating a policy of force and diktat.

Scinteia, however, yesterday reaffirmed Romania's position, warning that continued fighting involved serious international dangers. The article, clearly authorised by the leadership, added that Romania was a friend of both the Vietnamese and Chinese people. The Romanian Press carries reports and statements by both countries without taking sides.

Meanwhile, Albania, until recently China's only ally, predictably condemned what Mr. Petro Dode, chairman of the state planning commission, called "a perfidious attack by Chinese social-imperialism, the most zealous ally of U.S. imperialism against heroic Vietnam."

The Albanian party newspaper, Zeri i Popullit, compared the Chinese attack to the Soviet-led invasion of Czechoslovakia in August 1968.

Kosygin's 75th birthday hailed by his colleagues

BY DAVID SATTER IN MOSCOW

MR. ALEXEI KOSYGIN, the Soviet Prime Minister, yesterday received official congratulations on the occasion of his 75th birthday, amid signs that the regime expects many more years of service.

In a message carried on the front page of Pravda, the Communist Party newspaper, the party and Government extended "warm and heartfelt congratulations" and wished Mr. Kosygin "long years of life, good health, and further fruitful activity" for the Soviet people.

Mr. Kosygin's birthday, which was marked with the award of the Order of the October Revolution, comes two weeks after the 80th birthday of Mr. Arvid Pelshe, another member of the 13-man Politburo. That was also celebrated on Pravda's front page, along with a large picture.

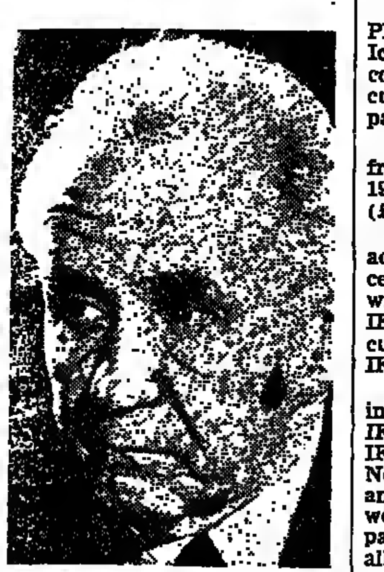
The Soviet Press normally devotes considerable space to the birthdays of Politburo members, particularly when the birthday marks the beginning of a new decade.

It was reported recently, however, that Mr. Leonid Brezhnev, the Soviet President, Mr. Kosygin, and the other Politburo members who deposed Mr. Nikita Khrushchev, had passed a rule in 1964 forbidding party members over 70 to remain in "active political and State work."

The rule is understood to have been intended to force the retirement of Mr. Anastas Mikoyan, who was approaching 70 and had defended Mr. Khrushchev at the meeting during which he was removed from the leadership.

If such a rule was issued, it is no longer in effect. Mr. Konstantin Chernenko, 67, is the only member of the Kremlin's inner circle who is under 70. Mr. Brezhnev is 72; Mr. Andrei Kirilenko, who deputises for him, is 72; and Mr. Mikhail Suslov, the chief party ideologist, is 76.

In key non-Politburo posts, Mr. Vassily Kuznetsov, the recently appointed deputy president, is 78; and Mr. Boris Ponomarev, head of the party central committee's international section, is 74.



Mr. Alexei Kosygin.

Better payments balance for Iceland

By Our Nordic Correspondent

PRELIMINARY figures from Iceland's central bank show a considerable improvement in current account and overall payments balances during 1978.

The trade balance moved from a deficit of IKr 15.3bn in 1977 to a surplus of IKr 7.8bn (£12.25m).

Information on the services account is incomplete but the central bank estimates that it will show a surplus of just over IKr 1bn to give a surplus on current account of around IKr 9bn.

Iceland's net foreign borrowing during 1978 amounted to IKr 14.8bn compared with IKr 27.8bn the previous year. New loans totalled IKr34.8bn and loans of about IKr 20bn were amortised. The overall payments balance is provisionally calculated to have shown a surplus of IKr 14.5bn last year.

Dutch payments gap put at £1bn

BY CHARLES BATCHELOR IN AMSTERDAM

THE BALANCE of payments position, which has recently moved into a large deficit, will be the main restraint on social and economic policies in Holland in the 1980s, Mr. C. van Westreenen, managing board member of Amsterdam-Rotterdam bank said yesterday. He estimated the balance of payments current account deficit in 1978 at about Fl 4bn (£1bn), Fl 500m more than the latest government estimate.

This did signal however, the end of the "Dutch disease" period, when high payments surpluses were caused solely by Holland's earnings on its natural gas exports. The economy was showing similar symptoms to Britain's—stubborn balance of payments deficits, high unemployment, high interest rates and increasing social conflict, he told a meeting of the Society of Trade and Industry in Almelo.

He rejected the proposal contained in a draft report of the Organisation for Economic Co-operation and Development that Holland should stimulate demand by lowering taxes. The problem was not lack of demand, he said. It was rather that of a lack of profitable markets due to high costs and an unfavourable product mix which no longer met the demands of the domestic and foreign markets.

He called for the reform of Holland's "crazy" system of taxation, social insurance and subsidies. There was little support in Holland for a less open trading policy but the consequences of the current open borders must be realised and domestic policies modified.

Holland was less well prepared for the move away from an industry-based economy than other small countries such as Sweden, Switzerland, Belgium and Austria, Mr. van Westreenen said. But a recent report on Holland's appeal to foreign investors had been interpreted too pessimistically and, under certain conditions, foreign finance, technology and enterprise, would still flow to Holland be said.

There was still time to adjust to be ready for the challenge of the 1980s by cutting costs and improving the economic structure.

Denmark to buy gas from Germany

By William Dullforce in Stockholm

THE state-owned Danish Oil and Natural Gas Company (DONG) has signed a contract with the West German consortium Ruhrgas to purchase some 1bn cubic metres of gas a year during the period 1982 to 1985.

No price was announced but the contract is regarded in Copenhagen as a "loan" of gas repayable when the Danes start to produce gas from their own North Sea resources in 1984.

DONG recently signed an agreement with the Danish Underground Consortium (DUC), the North Sea concession holders, to buy 55bn cubic metres, with delivery to start in 1984, building up to a rate of 2.5bn cubic metres a year. Both agreements require ratification by the Folketing (Parliament).

The agreement with Ruhrgas involves the building of a pipeline to connect the German gas network with Jutland. The intention is that by gaining access to the Russian and Middle Eastern gas supplied to the European network, Denmark will also be able to even out supply and demand fluctuations within the network. DONG will build to distribute the North Sea gas.

Turning attention from strategic to financial balances

BY ROGER BOYES

WARSAW PACT delegates at the troop reduction talks in Vienna were puzzled recently when asked for exact details of their military strength. "You already have the figures," they told the bemused NATO representatives, "they're in the Military Balance."

This respect for the "Military Balance," a compendium of troop levels and deployment throughout the world, is shared by East and West alike and represents something of a tribute to the International Institute for Strategic Studies (IISS) which compiles the volume. The IISS has been producing it for the past 20 years—the figures are gathered mainly from open sources and are regarded as very reliable—as well as Adelphi discussion papers that have injected a vital, authoritative element into the otherwise low level of defence debate in Europe.

But the Institute has now been deflected somewhat from pondering the strategic balance by anxiety about its own financial balance sheet.

The financial uncertainty stems from the Institute's search for a new headquarters. Its lease on the current building—situated near London's Charing Cross station—expires in March and the Institute has acquired a new headquarters in Covent Garden at a total cost of £800,000.

The interest on the loan needed for the purchase has imposed serious financial pressures on the Institute and it has launched an appeal to raise the sum needed for the building. So far some £360,000 has been raised—including £30,00-£40,000 from individual members, £56,000 from major corporations, £50,000 from international foundations and over £200,000 from the British, West German, Canadian, Swiss, Norwegian and Danish governments.

To be effective, however, most of the money needs to be raised before autumn when the Institute moves into the building. West German, Japanese, British and U.S. fund-raising committees have been created and general multi-national companies—with the notable exception of arms manufacturers—have been approached.

The IISS is eager to avoid the high interest payments because it operates on a shoestring. On an annual budget of £350,000, the Institute has to finance its staff of 30, its publications and research programme, its press cuttings library, the rental for its current headquarters, travel costs and its annual conference.

Most of the money comes from international foundations, among them the Ford, the Volkswagen, the Thyssen and the Nuffield, supplemented by individual and corporate membership fees and the profits from publications.

One of the problems facing the institute's director, Dr. Christoph Bertram, has been how to balance the specific demands of raising money for the new headquarters while at the same time ensuring that the regular flow of income from the foundations is not exhausted. The institute fears that if it makes too large demands on the foundations for a contribution to the building fund, it could prejudice future income—hence the need to raise money from alternative sources.

Financial uncertainty has admittedly been the norm for the IISS since it was founded in 1958 by Mr. Alastair Buchan, a political theorist and journalist, with the aid of a $50,000 grant from the Ford Foundation.

"Poverty," claims Dr. Bertram, "is productive." But the demands on the IISS have increased substantially since those early days when it was almost a club-like institution. Politicians like Mr. Denis Healey (a founder member) and leading academics and journalists would give informal talks and civil servants clearly benefited from the uninhibited discussion.

But as the IISS has assumed a more international role—its members now include Herr Helmut Schmidt, the West German Chancellor, and Dr. Henry Kissinger, the former U.S. Secretary of State, as well as defence experts in 60 countries — so costs have increased.

There is a feeling among members that the IISS, by widening its net so dramatically, has lost some of its early impact on policy-making. The Institute grew out of the inadequacy of defence planning in Britain.

The Suez crisis and the Cold War had clearly underlined the need for a more precise definition of the nuclear and conventional balance. Where were the boundaries of power to be drawn? There was almost no open discussion of this beyond the day-to-day pragmatism of Whitehall and other European ministries.

The IISS filled that gap and, by doing so, had a direct influence on British and West European defence policies. The Institute's early Adelphi papers, policy oriented discussion documents, dealt with nuclear proliferation, the arms trade and with the European nuclear deterrent—effectively bringing these issues into the public realm for the first time.

But the IISS has been prepared to put up with a certain dilution of influence, providing that strategic debate can be extended. It has been encouraged by an influx of new members from the Far East and South-east Asia, which has helped reduce the Institute's U.S.-European preponderance. It is anxious, too, that experts outside the normal governmental, academic and journalistic spheres should contribute to strategic debates. Commented one Council member: "We especially welcome bankers."

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OVERSEAS NEWS

Israel finds 5,000 b/d well in Gulf of Suez

By David Lennon in Tel Aviv

ISRAEL has struck the biggest well so far found in the Gulf of Suez oilfield which it is due to hand over to Egypt when a peace agreement is signed.

The Superior-Neptune Company which discovered and operates the Alma field near Al-Tur in the Gulf of Suez said tests show that the latest well, B3, is likely to produce 5,000 barrels a day. The oil is low sulphur and high API.

Southern wells brought on stream by Israel in the past year average about 4,000 b/d each. Wells already in production, five in the Alma field and two in its extension, the B field just to the north, provide about a fifth of Israel's annual needs.

Israel has continued drilling in the Gulf, although it has agreed, in principle, to return the area to Egypt if a peace agreement is reached. The idea appears to be that the more oil Israel can prove it is producing by the time a treaty is concluded, the more it will be able to demand from Egypt.

Marine kidnap poses new problems for U.S. in Iran

BY ANDREW WHITLEY IN TEHRAN

THE IRANIAN revolution threw up a fresh crop of worries for the United States yesterday, with the kidnapping of an American marine sergeant and decision to make him stand trial, and a statement by General Mohammad Vali Qarani the armed forces Chief of Staff, that Americans will not be allowed in future to man secret eavesdropping equipment along the Soviet border.

As a consolation, the U.S. will have been reassured to hear from General Qarani that the new administration wants to honour existing agreements covering the transfer of weapons to third parties. Fears about where sophisticated American weapons could end up rose perceptibly after public statements of mutual support between Iran and the Palestinians during the current visit of Mr. Yasser Arafat, the PLO leader.

Strong pressures pulling the leadership of the revolution in different directions are becoming increasingly apparent, with many of the contradictions visible in the actions of key figures, such as General Qarani.

The U.S. maintained sophisticated listening posts in Iran which it said were used to monitor Soviet compliance with the Strategic Arms Limitation (SALT) accords.

General Qarani said no sophisticated equipment or arms had been removed from Iran during the revolution, and

SWITZERLAND has asked its embassy in Tehran to assure the new regime that it is not in touch with the Shah. The Swiss Government has also denied Iranian Press reports that the Shah has asked for *permission to live in Switzerland.*

The Government action was set off by a report that the director of Sion airport, about 80 miles east of Geneva, had received a message seeking permission to land for an aircraft alleged to belong to the Shah.

Washington had made no representations over the security of sophisticated military equipment.

"There is no guarantee from our side and no request from theirs," he said through an interpreter. General Qarani's replies indicated that no hard military policy-making had taken place since the uprising which toppled the Shah's Government and left the armed forces in disarray.

He said the Iranian infantry company posted in Oman to help Government forces against rebel guerrillas had been recalled.

Reuter adds: An Iranian army general has been wounded in the troubled Kurdish tribal area on the western frontier, assistant Prime Minister Amir Entezam said. He vowed that the Government would ruthlessly crush those provoking Kurdish unrest.

No clear picture has yet emerged of the situation in Iran's Kurdish areas, but the Government this week sent a high-ranking mission led by Labour Minister Darush Forouhar for an on-the-spot investigation.

Foreign Minister Karim Sanjabi, who belongs to a prominent Kurdish family, has called on the Kurds to ignore "armed elements" which, he said, were trying to upset national unity.

Soviet-made rocket hit Rhodesia aircraft

By Tony Hawkins in Salisbury

THE AIR RHODESIA Viscount which crashed shortly after take-off from Kariba airport ten days ago was shot down by a Soviet-made SAM 7 heat-seeking missile, Mr. Bill Irvine, the Rhodesian Transport Minister, confirmed yesterday.

Mr. Irvine told Parliament the missile struck the jet pipe of the inner port engine causing the airliner to plunge directly into the ground killing all 59 passengers and crew on board.

The Minister promised that the crash—for which Mr. Joshua Nkomo's Patriotic Front guerrillas have claimed responsibility — would be "avenged." It was the second time in five months that the ZIPRA guerrillas have brought down an unarmed civilian airliner at Kariba, killing 48 passengers on the first occasion.

Mr. Irvine said that although "that evil murderer," Mr. Joshua Nkomo, had claimed responsibility for the missile attack, the real culprit was the British government. It was true, he said, that Mr. Callaghan had last week condemned the shooting-down of the Viscount as "a barbaric act." "But at the same time, he increased the flow of arms to Zambia in order that the terrorist bases be better protected and that the terrorists themselves be better equipped."

There was no doubt, said the Rhodesian Minister, that by its actions in supporting the Patriotic Front and ignoring moderate internal opinion, the Callaghan government had been "directly responsible" for the increase in terrorism and the loss of hundreds of lives.

If Britain continued to ignore such events as the two Viscount disasters, then, said Mr. Irvine, it could only be a matter of time before British aircraft themselves became the targets of air piracy by the IRA or the PLO. Terrorism is infectious, Mr. Irvine warned.

Reuter adds from Lusaka: Rhodesian nationalist guerrillas based in Mozambique said yesterday their forces had carried out the attack on Salisbury international airport on Monday night.

Brinkmanship 'may abort Namibia plan'

BY QUENTIN PEEL IN JOHANNESBURG

WITH THE prospect of early implementation of the UN plan for supervised elections in Namibia (South West Africa) rapidly fading, there is growing concern in the territory that the display of last-minute brinkmanship by the principal protagonists could yet abort the whole process towards a settlement.

On the one hand, Mr. Sam Nujoma, the leader of the South West Africa People's Organisation (SWAPO), is seen as making new demands for bases within the territory which go significantly beyond the UN proposals. He is accused by the South Africans of deliberately trying to abort the settlement process—launched almost two years ago by the five Western members of the UN Security Council.

At the same time Mr. Pik Botha, the South African Foreign Minister, while insisting that no material problems remain to implementation of the UN plan, appears to have set rigid deadlines for a successful conclusion to the negotiations and to the planned election. They could still cause a final breakdown.

In a letter to Mr. Kurt Waldheim, the UN secretary general, Mr. Botha flatly rejects the SWAPO demand for bases inside Namibia, and its refusal to allow its guerrilla bases in Angola to be monitored by the UN. "On such a basis, emplacement of UNTAG (the UN Transitional Assistance Group) would be out of the question," he says.

Although UN officials believe it could take several weeks to resolve the differing interpretation of the UN plan, particularly the problem over the monitoring of bases, Mr. Botha says: "It is imperative that implementation (of the plan) commence this month." If the first UN troops are not installed by the end of the month, it will no longer be possible to meet both the UN timetable for seven months before elections, and the South African insistence that the poll take place before September 30.

"It will not be possible for the South African government to associate itself with any move to delay the elections beyond the end of September," Mr. Botha said in his letter.

● Mr. Humphrey Berkeley, the former British MP and political advisor to the Transkei Government, has returned to the Transkei capital, Umtata, in spite of having been abducted and beaten up by security police last week. He attended a banquet to celebrate the inauguration of Chief Kaiser Matanzima as President of South Africa's first independent Bantustan, and yesterday attended an identity parade to identify the men who assaulted and dumped him on the South African side of the border.

Edgy Afghanistan regime relies on Soviet support

BY DAVID HOUSEGO, ASIA CORRESPONDENT, RECENTLY IN KABUL

THESE ARE edgy days in Kabul. Diplomats are worried that the kidnapping of former U.S. Ambassador Mr. Adolph Dubs in Kabul last week could be followed by other incidents of urban terrorism and that the Afghan authorities, in their determination to eliminate any challenge to their power, will show the same lack of concern for the lives of future hostages as they did for that of Mr. Dubs.

In few other cities do journalists find themselves detained within 24 hours of arrival—as an American colleague and I were—and then passed through the police hierarchy before being personally interrogated by the head of the country's security forces about our visas. After coming to power in a violent coup d'état last April that has left it many enemies, the Communist regime of President Noor Mohammed Taraki takes no chances with foreigners or Afghans it regards as suspicious.

Searchlights periodically scan the hills around Kabul at night in an attempt to spot possible insurgent forces descending on the capital. The curfew imposed in April is still in force and soldiers with automatic weapons stand guard outside key government buildings. The curfew will be lifted later this year, says Mr. Hofizullah Amin, the deputy Premier and Foreign Minister, when land reform is completed—implying unconvincingly that it is the Government land reform programme that has forced the regime to take the protective measures which now make Afghanistan seem so much like a police state.

The Russians without much doubt were embarrassed by the killing of Mr. Dubs in an incident which brought them into unwelcome conflict with the U.S. and made it seem that they were supporting an unnecessarily callous regime.

They were apparently caught off balance by the military coup last April in which the Khalq ("masses") faction of the local Communist movement emerged on top. But they have since backed it up by sending over 5,000 Russian advisers to Afghanistan, and in December concluding a treaty of friendship that holds out promise of further aid.

Senior members of the regime are reported to have said that without Russian help they could get nowhere. The rows of apartment blocks being built for Soviet officials near Kabul airport suggest that the Russians anticipate a long stay. Diplomats in Kabul believe that they were prepared before Mr. Dubs' death to stand by the Khalq regime for at least two-three years. But the relationship is a difficult one.

The regime has gone overboard in its public support of the Soviet Union to the extent of Mr. Amin—its most powerful figure—declaring that the Khalq revolution was an historic continuation of Russia's October Revolution. But in the measures it has taken, whether in purging the Left wing Parcham ("Flag") faction last year or in its economic planning, it has often stubbornly run counter to Russian wishes and flaunted its independence.

The result now is that the Russians find themselves in the uncomfortable position of being committed to a regime about which they have reservations and against which there is widespread resentment. In addition Russian officials are personally not popular in Afghanistan and brawls between Russians and Afghans are not uncommon.

But the dilemma for the Russians is that if they should attempt to replace the Khalq leadership by bringing back, for instance, the Parcham leaders who are now in exile in Eastern Europe, they risk further unpopularity by too openly attempting to manipulate the Afghan Government. On the other hand, to let the present regime collapse would risk a takeover by a hostile coalition of Moslem and tribal forces which they could not afford given their long term strategic interests in Afghanistan and the present crisis in Iran.

While this uncertainty continues in Afghanistan, there is little chance of the Russians attempting to use the country as a base from which to infiltrate Iran or Pakistan. Without much doubt there is some arms traffic across the western border into Iran's eastern province of Khorassan. But this is a region with a long history of smuggling and where in the past the Shah's government used helicopter gunships in an attempt to smash armed Afghan bands carrying opium into Iran. The present Afghan regime has no more control of it than its predecessors.

Likewise the Afghans are believed to have sent party cadres into the Pushtu speaking provinces of Pakistan. But this seems no more than part of a cat and mouse game to deflect the Pakistanis from militarily helping the Afghan rebels who have fled into Pakistan. The Taraki regime has too many problems on its own hands to engage in adventures abroad and though its leaders are obviously attracted by the romanticism of Fidel Castro, there is no sign that the Russians see Afghanistan as a Cuba of central Asia.

Up to now, the open opposition that the regime has faced has come from the tribal areas of the eastern and central provinces of Konarha, Nooristan, Paktya, Badakshan and Oruzgan. Incidents have often been sparked off by resentment at government policies that run counter to Moslem or tribal traditions.

A case in point occurred last month at Tagab, north east of Kabul, where opposition to a new adult illiteracy programme being extended to women resulted in a clash with troops that left a good many dead. The regime has not hesitated to bring in tanks, armoured cars and planes to mete out reprisals. But the tribal and Moslem insurgents are divided amongst themselves. Of those with a base in Pakistan, the main rivalry is between two Moslem groups—the Jamaat-I-Islami and the Hesbe-I-Islami. But they do not seem to have the strength to do more than harass the regime.

The threat represented by a switch by opposition groups to urban guerrilla tactics is that the policy of brutal reprisals is far more difficult to apply in Kabul or the other major cities. The death of Mr. Dubs brought unwelcome publicity abroad and provoked diplomatic missions to question the safety of their own staff and the Government's handling of anti-terrorist operations.

The weakness of the Khalq movement is that in 10 months of power it has failed to significantly widen its base. A Marxist-Leninist group (though it now shuns this title for fear of further offending the country's Moslems), its members before the revolution were drawn from the educated urban elite.

The philosophy of Messrs. Taraki and Amin was that change could only be brought about in Afghanistan first by infiltrating the armed forces to bring about a coup and then by pushing through reforms that had popular support. In pressing for a more activist policy after the ineffectual governments of President Doud and King Mohammed Zahir Shah, the regime at the outset had the sympathy of other graduates from the country's high schools and colleges who had no jobs and were impatient for change.

Because of this it was able to carry out a massive restructuring of the civil service, replacing virtually all Ministers, deputy Ministers and heads of department with new people. Though their lack of experience shows, the general impression in Kabul is that this administration is far more effective in getting things done than its predecessors and that it permits far greater delegation of authority and decentralisation.

In spite of its Marxist rhetoric, the regime also seems to have got its economic priorities right—emphasising food, housing and clothing in a country which has one of the lowest living standards in the world and where only half of those born live beyond the age of five. Though there was some talk when it came to power of major investments in public sector industry, the focus has now shifted firmly towards agriculture and craft industries.

One reason for the discrepancy between sympathy for many of the Khalq's goals and its failure to add significantly to its recruits is the resentment felt by Afghan nationalists that the regime has "sold out" to the Soviet Union. The most visible symbol of this is the increasing number of Russian advisers and the deepening Soviet involvement in the Afghan economy.

The regime has also run up against the prejudices of a deeply conservative society. It is far less doctrinaire than it was. Government leaders no longer refer to each other as comrade, and in respect for Islam extracts from the Koran preface official ceremonies. But there is widespread resentment at the Marxist orientation now thrust on education in schools and universities.

Among the minority Shi'ite community, the Government has provoked hostility by arresting three of the Shi'ite leaders in Kabul last month.

In an attempt to recover its popularity the Government has pushed ahead with its land reform programme faster than originally intended. Previous regimes have promised land distribution and then done nothing about it. This regime began redistributing land on January 1. Mr. Amin says that 40,000 families have benefited so far and that 200,000 families will receive land under the programme.

As a result of the disruption that the programme will inevitably cause, the Government has been planning for a shortfall in grain production. This is likely to be aggravated by the poorest rainfalls this winter for the last six or seven years. Grain imports of 600,000-800,000 tons are now forecast after a period of self-sufficiency. The inadequate rainfall will also affect sheep pastures, fruit, cotton and sugar.

At the same time the economy is being hit by the uncertainty in Iran. The most immediate impact has come in the cutback in fuel supplies, the effective withdrawal of Iranian aid and the loss of the transit route to the Persian Gulf.

Remittances from Afghan workers in Iran which have helped to build up the foreign exchange reserves to a peak of nearly $5m will also dry up.

So long as the Russians stick by their partnership of President Taraki and Vice-Premier Amin, the regime's chances of surviving the difficult years ahead are considerably strengthened. President Taraki has emerged as more of a father figure while real power lies in the hands of Mr. Amin. Diplomats speak of strong rivalry between the two. After getting rid of the former Minister of Defence, Mohammed Qadir last year, they now share the Defence portfolio between them. The division probably reflects the lack of trust in each other and the insecurity of the regime.

Afghanistan is at the centre of a quickly-changing and volatile area. On one border it is flanked by the new Islamic republic of Iran led by the charismatic Ayatollah Khomeini. To the west is the fiercely Moslem Pakistan of General Zia ul-Haq, also tense as it awaits the final verdict on former premier Zulfikar Bhutto's death sentence. To the north is the Soviet Union which is widely believed to have had a hand in the pro-Moscow coup in Kabul investing Afghanistan with considerable strategic importance.

AMERICAN NEWS

Muted hopes for results from Camp David meeting

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE Foreign Ministers of Egypt, Israel and the U.S. yesterday began another round of Middle East peace talks at the Presidential retreat of Camp David, in Maryland, with muted hopes of achieving a real results.

President Carter, in his speech in Atlanta on Tuesday, once again more or less acknowledged that a second summit meeting would be needed to resolve the deadlock.

In reiterating his willingness to convene such a meeting, the President nonetheless emphasised how vital it was that the Foreign Ministers make some progress, especially after the recent developments in Iran. The Foreign Ministers are expected to confer for as long as a week in complete privacy at Camp David before reporting back to their governments.

The main obstacles remain the relationship between an Egyptian-Israeli settlement and Egypt's commitments to other Arab states, and Israel's willingness to agree to a timetable for self-rule in the West Bank and the Gaza Strip. Failure to reconcile these issues proved the undoing of the ministerial talks here late last year, after the initially successful Camp David summit. The knot has not been untangled by subsequent U.S. diplomatic missions to the Middle East.

However, the Foreign Ministers are conferring in a markedly different atmosphere from that which prevailed last year. The revolution in Iran—and the apparent rapprochement there between the new Khomeini regime and Mr. Yasser Arafat of the Palestine Liberation Organisation (PLO)—have clearly heightened different sensibilities in Cairo and Jerusalem.

In the U.S. view, it will now be incumbent on Egypt to prove that it does have legitimate Palestinian interests at heart, while Israel is bound to be more nervous now that the PLO has acquired a potentially powerful new ally.

For his part, President Sadat is reported to be so exercised by the developments in Iran that he submitted a new defence shopping list to Mr. Harold Brown, the Defence Secretary, in Cairo last week. He is believed to have coupled this request with a promise to use what weaponry Egypt acquires as a force for stability in the region.

President Carter's own interest in forging a Middle East settlement, while never less than genuine, has now been given an added dimension by the assaults on him for his conduct of foreign policy. In crude political terms, he needs another perceived success like the first Camp David summit.

Not, however, that Mr. Carter is without his defenders. Senator Edward Kennedy has strongly endorsed a new SALT agreement with the Soviet Union, while editorials in both the Washington Post and New York Times recently have supported present U.S. foreign policy.

Nicaragua seeks $88m loan to repay debts

By Francis Ghilès

NICARAGUA, which is facing continuing financial trouble because of last year's civil war has asked its creditor banks for a new loan.

At a meeting held in New York last week all the banks which have led or been agents for loans to Nicaragua and representatives of that country's central bank discussed the possibility of arranging an $88m eight-year loan.

The proceeds would be used to repay medium-term loans that fell due late last year and also those which mature this year. Nicaragua's representatives asked that the new loan be completed before the middle of the year.

Nicaragua is currently in arrears on some payments of principal and interest on outstanding loans and the Government promised bankers, earlier this year, that it would catch up on its interest payments by the end of March. It has made progress according to some bankers, but still has a long way to go.

The promise of interest payments was based on the fact that the bulk of the country's agricultural revenue flows in between January and April, mainly from the sale of coffee, cotton, meat and sugar. The proposed $88m loan would represent more than a quarter of Nicaraguan medium-term debt.

Court clears way for sale of offshore leases

BY JOHN WYLES IN NEW YORK

A COURT OF APPEALS in Boston has cleared the way for the sale of offshore oil and gas exploration leases around the rich Georges Bank fishing grounds of Cape Cod, Massachusetts.

A sale of leases planned for January last year was blocked at the 11th hour by an injunction obtained by environmentalists who feared damage to one of the world's richest fishing grounds and harm to the $1.7bn tourist industry of the Cape Cod area.

The same groups were yesterday claiming that the appeals decision was a victory because the judge imposed a responsibility on Mr. Cecil Andrus, the Interior Secretary, to protect the Georges Bank fisheries. If he fails to do so the court said that it might intervene to halt the lease sale.

It is suspected that the Georges Bank area may harbour oil and gas deposits of great importance because of the need to reduce dependence on energy imports.

Curbs may be eased for home loan associations

BY STEWART FLEMING IN NEW YORK

THE Federal Home Loan Bank Board, the agency which regulates savings and loan associations, is considering proposals to allow the associations to open branches across state lines.

Savings and loan associations are a major source of home loans in the U.S., and in many areas compete directly with banks. The Bank Board's initial proposals, which are being put forward for public comment, related only to the Washington DC area. But, if regulations are eased there, associations in other areas would probably press for similar freedom.

The regulation of financial institutions including banks and savings and loan associations, is a topic being debated intensely in Washington. Congress is considering Bills which would alter reserve requirements for banks and bring savings and loan associations into the reserve requirement net.

An Administration task force is also looking at the regulation of financial institutions, including the questions posed by limits on the freedom of banks to branch across state lines and regulations limiting the interest rates which financial institutions can pay.

Mr. William Miller, the Federal Reserve Board chairman, has argued that the ceilings, which come under the general description of "regulation Q," are unfair on small savers.

CARICOM INVESTMENT

Finance body faces hard times

BY DAVID RENWICK IN TRINIDAD

THE Caribbean Investment Corporation (CIC), set up five years ago by Caricom Governments with support from private-sector interests to channel risk capital to Caricom's smaller territories, has fallen on hard times.

If the corporation, which is based in Castries, St. Lucia, is to survive, it is likely that almost all aspects of its operation will have to be overhauled.

A study sponsored by the World Bank, the Canadian International Development Agency (CIDA) and the Caribbean Development Bank (CDB), against the background of a 1978 loss by the CIC of EC$406,181 (£75,000), has revealed deficiencies in such key areas as administration, investment policy, personnel and financial planning.

The study blames the corporation's failures on inexperienced management, inflated running expenses, lack of return from investments made in the last five years, and the difficult economic environment of the Caribbean in recent years.

Even before the departure last year of Mr. G. R. E. Bullen, the general manager, a Grenadian, the Board of directors had appointed an executive committee to monitor the CIC's activities much more closely.

The corporation was founded in 1974 with the aim of redressing the balance in Caricom and giving the eight less-developed members of the organisation (St. Lucia, Grenada, St. Vincent, Dominica, Antigua, St. Kitts-Nevis, Montserrat and Belize) a chance to gain some much-needed industrial investment.

Its original subscribers were all 12 Caricom states, with the more economically developed territories of Trinidad and Tobago, Jamaica, Barbados and Guyana providing most of the EC$5m initial capital.

The private sector was allotted 40 per cent of the corporation's equity, but has been slow to take it up, which is one reason why the CIC's finances are in such bad shape.

Another reason is the questionable investment ventures on which the institution has embarked during its short history. It is true the CIC was intended primarily to be an instrument of development rather than profit—during its early years, at any rate—but its architects did not expect it to lose quite as much money as it actually has.

Total losses to the end of last year are estimated at EC$888,381, with no likelihood in the medium term of much of this being recouped. The provision for losses on investments was EC$210,000 in 1977 and EC$409,000 last year, almost a 100 per cent jump.

Only a small number of the 28 companies in which the CIC has invested are making money or are expected to for some time. Since the policy has been not to take more than 40 per cent in equity, convertible debentures, or suppliers' guarantees in any enterprise, the corporation has been unable to exert the influence on its client companies which a majority shareholder would be able to do.

It was only recently that the CIC's limited managerial and technical resources were applied to advising companies on such essential aspects of their business as financial and budgetary control, production systems analysis and long-term planning.

There is a certain irony in the fact that measures adopted by some of the Caricom territories which were most enthusiastic in their support for the CIC's objective of funding industrial investment in the less-developed regional states should have contributed to the corporation's poor financial record.

For it was the clampdown on intra-regional trade by Jamaica and Guyana during 1976-78, in response to balance-of-payments imperatives, which denied to many nascent manufacturing companies funded by the CIC the chance to establish a viable export presence in the wider Caricom market.

Since 48.6 per cent of the corporation's investment portfolio is in manufacturing investment, compared with only 12.4 per cent in tourism, the effects of the export slowdown were translated into a sharp fall in dividend income from client companies.

If the industrial allocation scheme earlier proposed for the smaller Caricom territories had been put into operation as planned, it is possible that the CIC's investments would not have been hit as badly as they were.

The programme envisaged a protected market for 35 selected light manufacturing enterprises within the Caricom sub-group of smaller states, with each territory having its fair share of factories and no restrictions to be imposed on exporting.

But the allocation scheme has not been followed through and the few factories which have been set up soon found themselves struggling to survive competition from similar industries established elsewhere in cheerful contravention of the terms of the agreement.

WORLD TRADE NEWS

Strong demand for Airbus raises orders to nearly 200

BY CHARLES BATCHELOR IN AMSTERDAM

AIRBUS INDUSTRIE expects the number of definite orders and options for the A300 Airbus to exceed 200 by the end of March, according to the company's vice-president for marketing, Mr. Dan Krook.

This would represent at least a further 17 orders on the 183 already booked, including 53 options and the recently announced order by Toa Domestic Airlines of Japan.

Airbus Industrie will be looking to airlines in South America, the Far East and Africa for orders over the coming months. Mr. Krook said in an interview with the daily Financieele Dagblad.

The Brazilian airline Varig is one prospective customer, and the A300 could well be used on the busy Rio to Sao Paulo route. Airbus has reserved a couple of delivery positions for Brazil, said Mr. Krook, who moves to the Dutch aircraft group Fokker as sales director on April 1.

There is now a waiting list for the A300 until 1982. The Toulouse assembly line is currently producing two Airbuses a month, but this will be increased to six by 1982-83. The smaller 200-seat A310 is expected to start coming off the production line in 1982 and it has already built up a waiting list until the end of 1983.

A freight version of the A300 is already being produced, while plans for a long-haul, slightly larger version of the A300, known as the A309, are being worked on. Mr. Krook estimated a decision on the A309 might be taken in the second half of next year and the aircraft could be flying in 1985.

He described the fall of the dollar, the currency in which an aircraft is priced, as "annoying" and said a further fall would be very damaging. He put the difference between the cost price of the Airbus and the sales price at around 10 per cent.

But the increased rate of production and the low levels of inflation in Europe mean that the problem of cost prices will be solved by 1981 or even 1980. Airbus Industrie expects to reach break-even point a year or so later.

The Airbus Industrie partners have dropped the original plans for the two versions of the joint European Transport (JET) and are reconsidering what will be needed in the way of a 130-180-seat aircraft in the 1980s, Mr. Krook said.

Airbus Industrie will try to obtain 30-35 per cent of the civil aircraft world market, Mr. Krook said recently.

"The Americans will have to hand over part of their 95 per cent market position. Even in the U.S. I foresee that in the next few years Airbus could increase its market share to 10-15 per cent," he added.

Japan calls off Vietnam steel talks

TOKYO—six major Japanese steel producers have decided to temporarily call off plans to send a mission to Hanoi to discuss exports to Vietnam.

A spokesman for Nippon Steel, the world's largest steel maker and co-ordinator of the plans, said the decision has been made because of the continuing border fighting between China and Vietnam.

The steel producers had agreed to send a delegation to Vietnam in the middle of February on the basis of a bilateral three-year steel export agreement. Under the accord, the Japanese are scheduled to ship 200,00 metric tons of steel a year to Vietnam.

They sent the first mission to Hanoi last May and signed a contract to export 100,000 tons of steel in six months. The second mission was to have worked out a contract this month for shipment of another 100,000 tons.

Industry officials expressed fears that if the border war becomes protracted, the future of the agreement itself may become uncertain.

AP-DJ

Lurgi in Indonesia

Three subsidiaries of Lurgi, itself a unit of Metallgesellschaft, have been awarded a contract to build an ammonia plant for Pupuk Kalimantan Timur (Kaltim), a state-owned Indonesian company, AP-DJ reports from Frankfurt. The contract, for construction of a 1,500-ton daily capacity ammonia plant in east Kalimantan, Borneo, is valued at around DM 100m. It includes engineering work, the assembly and start-up of the ammonia plant and training of Indonesian workers to operate the plant.

Gatwick cargo system

IAS Cargo Airlines has awarded a £237,000 contract to A. Loedige for the installation of Gatwick Airport's first multi-level export cargo storage system.

The system will be installed in the new 41,500 sq ft IAS bonded freight terminal currently under construction in Gatwick's cargo village.

Swiss export risk plan

Commitments of the Swiss Government within the country's export risk guarantee scheme reached a record level of SwFr 23bn (£6.8bn) by the end of 1978, John Wicks writes from Zurich. This is higher by SwFr 6.8bn (£2bn) than that a year before. Premium income went up from SwFr 141m to SwFr 200m last year.

UK exports to Nigeria up despite new restrictions

BY OUR FOREIGN STAFF

FOR THE second year running, Britain exported goods worth more than £1bn to Nigeria in 1978—despite the major import restrictions introduced by the Lagos Government last April in response to the country's balance of payments difficulties.

Department of Trade figures show that last year British exports to Nigeria were worth £1.13bn, slightly up on the £1.07bn reached in 1977. Nigerian exports to the UK totalled £286m last year, compared to £219m in 1977.

However, British exporters are expected to find it much more difficult to sustain this performance in 1979. The import restrictions introduced by Nigeria last April took several months to bite and one major measure—pre-shipment inspection by SGS—the Geneva-based inspection company—is only now being implemented.

It is significant that since last September the UK's monthly export figures for Nigeria have been down in value terms on the 1977 level.

Bolivia plans to buy arms

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

BOLIVIA is to rearm its armed forces, according to General David Padilla, the president, who said that his country was contemplating its first major arms acquisition for 14 years.

According to Inter Press Service, General Padilla announced Government intentions last weekend during a speech he delivered in the remote town of Molnero in the far south-east of Bolivia.

The presidential announcement is likely to cause considerable international interest in that Bolivia has just celebrated with some pomp the centenary of the War of Pacific with Chile during which Bolivia lost its sea coast. Britain has been bidding strongly for arms orders from Bolivia and has offered a generous credit for any Bolivian order.

The government of General Hugo Banzer, which left office last year, declared that its policy was to buy only that military material, such a trucks, which could also be of use for the purposes of national development. It is not clear that the declared policy of General Banzer is still being pursued by General Padilla.

Poland reduces deficit

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S HARD currency trade deficit in 1978 was $1.7bn according to figures published here by the Polish Central Statistical Office. this compares with a $2.3bn hard currency deficit in 1977 but is higher than the around $1.0bn deficit which the authorities had said they hoped to achieve. The deficit on total world trade was $1.8bn.

The published figures do not include invisible earnings nor do they give any indication of servicing costs on Poland's foreign debt which is estimated at around $16bn.

The trade figures show that Poland's world trade turnover grew by 7 per cent last year as compared with 1977 while exports grew by 9.8 per cent and imports by 4.7 per cent over the same period.

Comecon's share of Poland's foreign trade grew from 55.7 per cent in 1977 to 57.4 per cent last year. Polish exports to the West grew by 7.6 per cent in 1978 on the previous year and imports stayed at 1977 levels.

Philippines diesel engine decision

BY OUR MOTOR INDUSTRY CORRESPONDENT

THE Philippines Government has selected Perkins Engines, the UK-based group, and Machinenfabrik Augsburg Nuremburg (MAN) of West Germany to establish local diesel engine plants.

Several European, US and Japanese manufacturers were in the running—BL (formerly British Leyland) and Isuzu of Japan were among the last contenders.

The decision by the Philippines' Board of Investments is subject to further discussion with the two companies. The final negotiations will deal with matters such as the future timetable of operations.

Varley sees HK role in deals with China

By John Elliott in Hong Kong

A SUGGESTION that Hong Kong could become a key link in counter trading relationships between the UK and China was put forward here last night by Mr. Eric Varley, Industry Secretary.

Addressing an audience of Hong Kong businessmen, Mr. Varley said: "Our desire to export capital goods to China and your requirements for imports of certain raw materials from China might be linked in a mutually beneficial way."

Mr. Varley arrived in Hong Kong yesterday on his way to Peking for a nine-day visit. It is hoped that the visit will culminate in the signing of an economic co-operation agreement between China and the UK which would include the sale of the controversial Harrier jet.

Although China's invasion of Vietnam will make the negotiations on the economic agreement more sensitive, there is no sign of any back tracking by the UK Government.

One of the economic problems that Mr. Varley wants to explore in Peking is China's wish to pay for some of the industrial capital projects it buys abroad through counter trading arrangements. This could create difficulties and the UK Government is looking for ways of overcoming them.

Mr. Varley said: "I have been urging British firms to seize the opportunity of trade with China and I am sure that you will also work positively and imaginatively with British companies to further our joint objectives."

He also urged that Hong Kong should accept more exports from Britain despite the reduction in textile trade caused by the Multi Fibre Agreement. He said that such an increase in UK exports would "generally help the climate in which other aspects of Hong Kong's trade with Britain can be considered."

Mr. Varley's remarks reflect British Government concern that the effect of the Multi Fibre Agreement on the amount of textiles that Hong Kong can sell to Britain could lead to the Colony becoming less keen on placing major orders for capital equipment and other goods with the UK.

Daimler-Benz talks on truck production

STUTTGART — Daimler-Benz has been approached by Chinese authorities about possible co-operation in manufacturing trucks in China, a spokesman for the West German car and truck making company said yesterday, but he stressed that talks were still exploratory.

He could not confirm published reports that China wants Daimler-Benz to manufacture some 25-30,000 trucks annually in a plant the Chinese would jointly own with the West German motor company.

Daimler-Benz exported about 1,300 trucks to China last year and expects substantially higher exports to that country in the current year.

The West German weekly news magazine Der Spiegel has quoted Daimler-Benz sales manager, Mr. Heinz Hoppe, as indicating that the Chinese would offer the German firm a stake in the capital of a truck company in China to be operated as a joint venture.

● China plans to produce some 300 new lines of "good-quality" consumer goods in the next two years, according to the official Hsinhua News Agency.

Hsinhua said they will include quartz watches, high-frequency automatic calendar watches, multi-gear speed bicycles, multi-purpose sewing-machines and automatic washing machines.

AP-DJ

EAST EUROPEAN TRANSPORT

Refinements on the humble tram

BY LESLIE COLITT IN EAST BERLIN

THE COMECON countries have achieved their highest degree of industrial co-operation in advanced technology not in consumer goods but in more basic fields such as public transport. For example, the humble tram, which could well enjoy a rebirth in a more energy-conscious West, never went out of fashion in most of Eastern Europe and has become a product of what is called "joint specialisation."

Visitors to Eastern Europe may have less than fond memories of being jolted about on pre-war model trams that still rumble through East European cities and may question the significance of specialist tram production.

This was the position in 1965 when Czechoslovakia was handed the task of developing Comecon's tram production. The CKD Tatra Company in Prague, which switched from making railway carriages to trams in the 1950s, suddenly found itself put in charge of tram production for all Eastern Europe—mainly the Soviet Union, East Germany and Czechoslovakia.

Since then, CKD has become the world's largest producer of trams while East Germany has had to stop producing trams altogether.

At first, Tatra simply turned out the same model trams that were in Czechoslovakia and exported them to the vast Soviet market and to East Germany. The next stage was co-operation with the public transport authorities of Soviet cities such as Moscow, which now has over 800 Tatra trams as well as East Berlin, Leipzig and Dresden in East Germany.

The Soviets are by far the best customers for Czechoslovak trams, having bought about 8,000 of the 12,000 trams produced by the CKD works since the early 1950s—current production is running at about 1,000 trams a year. East Germany is the second largest export market, taking some 2,000 trams since its specialisation agreement with Czechoslovakia in 1966.

The Soviet Union produces its own model at a railway car factory in Riga but the Czech product is highly regarded for its reliability in the C40 degree heat of Soviet central Asian cities such as Tashkent and in the minus C30 degree of Moscow and Siberian cities.

The four-axle Tatra 3 model is the most widely used tram in Soviet cities along with the older T-2 and a variation of the same basic model. The T-3D and the T-4D are the main Czech-built trams in East Germany. These East German versions allow cars without their own propulsion to be hooked on as trailers.

The T-5, Tatra's latest model, which is to enter service next year, is a four-axle tram with two bogeys and a top speed of 70 kilometres an hour.

Tatra says it has taken special care to ensure the lowest possible energy loss by using thyristors.

At first East German transport authorities were reluctant to buy the cheaper Czech trams but now they are in service all over the country.

Poland and Hungary, although they are fellow Comecon members, have gone different ways. Budapest is planning to electrify 85 per cent of its urban transport by 1990 but will use trolleybuses as will Warsaw to a smaller extent.

In Poland street cars and trolleybuses were pulled out of service in most cities as in the West because the tracks and overhead wires were in the way. But a Polish transport engineer, Dr. Michal Kelles Krauz, says that "with the price of oil what it is," the same cities would probably "gladly take them back again if they could."

Dr. Kelles-Krauz notes that it costs 15 per cent more to run a bus in Poland than a tram and that the bus costs 1½ times as much to buy although its life expectancy is only eight years compared with 25 years for the tram.

The tram network in Warsaw is not scheduled for expansion, although trolley buses are being put into service in some areas.

Polish transport engineers are enamoured, as are their East German colleagues, of the so-called super-trams of the type used in Western cities such as Zurich and the large and comfortable Stadtbahn in a number of West German cities.

Dr. Kelles-Krauz says this type of solution would be perfect for Warsaw as it could carry 50,000 passengers an hour, and would be relatively cheap and quick to build.

It is no coincidence that CKD Tatra also has a 6-axle and 8-axle super Tatra—the Rolls Royce of trams on the cards. It is said to be the equivalent of the best urban railway in the West. So that developing trams may be one area of industry where Comecon can begin to hold its own.

North Sea oil tax plans may be eased

BY KEVIN DONE, ENERGY CORRESPONDENT

THE GOVERNMENT is examining possible changes to its proposals for tightening the North Sea oil tax régime, but any modifications are likely to fall far short of meeting oil industry demands.

Mr. Joel Barnett, Chief Secretary to the Treasury, and Dr. Dickson Mabon, Minister of State for Energy, held talks yesterday with the UK Offshore Operators' Association on the Government's planned Petroleum Revenue Tax changes.

These would significantly lower profitability of oilfields, and mean that only large or low-cost fields would be economic to develop, the association told the Ministers yesterday.

It has presented a report to the Government saying that development of new fields would be limited and level of exploration drilling further reduced if the rate of Petroleum Revenue Tax is raised from 45 to 60 per cent.

The proposed tax changes were announced in August last year, and are due for inclusion in the Budget. The Government is known to be considering changing the way in which marginal fields are taxed.

The extra tax on the 19 North Sea fields in production or under development would total about £1.5bn, say the oil companies. Must would be payable in the years from 1980 to 1985.

The companies say that forecast profitability of the first 19 North Sea fields is already lower in real terms than was accepted by the Government in 1975 as providing "a reasonable sharing between the British people and the companies."

Rising costs and declining real crude oil prices put overall return of the 19 fields down to 13.2 per cent. The fields have a long break-even time of 13 years. The higher rate of tax would reduce the forecast rate of return to 11.8 per cent.

The Government has felt it necessary to change the North Sea tax regime chiefly because of the high profits that will be earned from two early developments, British Petroleum's Forties Field and Occidental's Piper Field.

The sharp decline in exploration on the UK Continental Shelf in the last 12 months was evident before the Government announced its tax plans.

The Energy Department is concerned at the fall, and is expected to hold meetings with oil companies to discuss central issues such as licensing policy.

The Government has the power to repay royalties to assist development of marginal fields. Such repayment is discretionary. The industry says repayment cannot be relied on, and is of no practical value as an exploration incentive.

It is seeking a more acceptable mechanism for royalty relief, which may be included in its Budget proposals. It is unlikely to move from its main intention of raising the rate of tax, though there may be concessions on size of oil allowance and level of capital investment uplift.

Sunderland shipyard seeks 230 voluntary redundancies

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SUNDERLAND Shipbuilders, part of British Shipbuilders, said yesterday that it was seeking 230 voluntary redundancies at its North Sands shipyard.

Only two days ago British Shipbuilders announced its decision to close its Haverton Hill, Teesside, shipyard with the loss of 900 jobs.

The number of redundancies in merchant shipbuilding since nationalisation in July 1977 has now risen to about 3,200, leaving fewer than 2,000 jobs to be shed under the terms of the British Shipbuilders corporate plan, which is still unratified by Government.

The Sunderland men to lose their jobs are from the steel-working and ancillary trades. North Sands has only one cargo vessel on its order book and this is due for completion in the summer. The yard employs 1,100 men.

Mr. Jim Gilfillan, chairman of Sunderland Shipbuilders, said that employees at the group's other yard had work stretching into mid-1980 on the £52m contract with India signed last year. There was no danger to these men's jobs.

Another Wearside shipbuilder, Austin and Pickersgill, has told its workforce that a sharp improvement in productivity is required if the yard is not to lose its reputation for prompt delivery and keen prices.

The company's house magazine pointed out that recently a ship was delivered two months late and another five orders were behind schedule.

"A substantial recovery in production is necessary if penalty payments on these ships are to be avoided," the article said.

Mrs. Maureen Taylor, chairman of the North of England Development Council, said yesterday that recent developments in shipbuilding in the region were "catastrophic."

She urged the Government to make more money available to subsidise orders, advance the Navy's warship building programme and persuade nationalised industries and North Sea oil operators to place orders urgently in British yards.

New coal seam at Annesley

AT ANNESLEY colliery at Sutton-in-Ashfield, Notts, the first new coal seam to be opened for 60 years at the 114-year-old mine has come into production. Reserves in the old deep soft seam will be exhausted in four years, but at least 6m tonnes of coal can be mined from the newly-opened Tupton seam. Nearly all of it will go to East Midlands area power stations.

Workers in march to save Falmouth repair yard

Financial Times Reporter

A MASS march of workers and others concerned with the closure of Falmouth Shiprepairers is planned for today.

The Falmouth Docks Action Group said yesterday that 1,000 people would take part in lobbying MPs, and British Shipbuilders, which owns the yard.

A delegation is also to see Mr. Alan Williams, Industry Minister, and Mr. Leslie Huckfield, Industry Under-Secretary.

Among those represented will be members of the South West Economic Planning Council, local authorities in Cornwall and various trade union groups.

They want the Government to reconsider the closure decision, which means the loss of 1,200 jobs, and to talk about a possible aid package in the event of closure.

Also on the agenda will be the offer to take a leasehold on the docks made by Bristol Channel Shiprepairers, the C. H. Bailey subsidiary.

The unions are keen to ascertain exactly how many men Bristol Channel would employ if its bid was accepted. Mr. Christopher Bailey, chairman of the group, has said only that he would employ more men than the 70 employees retained for care and maintenance of the plant and 120 apprentices whose future British Shipbuilders has guaranteed.

Mr. Bailey was due to meet British Shipbuilders to discuss the offer this week, but a date has now been fixed about 10 days ahead.

Talks between British Shipbuilders and national and regional union officials on the closure of Falmouth and Haverton Hill shipyard, Teesside, were continuing last night. Union leaders have said that they will fight yard closures.

Clydebank talks fail to bridge gap

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE FUTURE of the Marathon rig-building yard on Clydebank remained in doubt yesterday after meetings between the Government and the U.S. owners of the yard.

Mr. Bruce Millan, Secretary for Scotland, spent more than an hour talking to Mr. Gene Woodfin, chairman of Marathon Manufacturing, who had flown to Britain for the meeting.

After the talks, Mr. Woodfin would say only that it had been a "nice meeting." The Scottish Office said the talks had been useful and would be followed by further contacts between the company and the yard's workforce.

Mr. Millan is trying to find a way of bridging the £500,000 gap between the price which a consortium, led by British National Oil Corporation, is prepared to pay for a £15m jack-up rig and the price at which Marathon says the contract is commercially viable for the company.

The corporation had not heard last night of any progress towards agreement on a price to secure the order, without which 1,100 jobs will be lost in the next few weeks.

Earlier yesterday, Mr. Millan met a deputation of shop stewards from Marathon. They said they expected more meetings to take place before the future of the yard became clear.

Iran Air plans to reduce London staff

IRAN AIR is planning to cut its London-based staff by 50. The airline, which has not operated for eight weeks because of the closure of Tehran airport and rioting in the neighbouring areas, said it is asking one-third of its staff at Heathrow airport and in London to accept voluntary redundancies.

Mr. Derek Smith, the airline's sales promotion executive, said yesterday: "Because we have not been operating, there is no revenue coming in. The situation has been further complicated by the closure of Iran's banks. So we are forced into the position of having to lose some of our staff."

BBC 'told to play down Iran'

THE BBC was told that it ought not to report the growing opposition which led to the overthrow of the Shah of Iran, not only by the Shah's Government but also by influential people in Britain. This was disclosed last night by Mr. Ian Trethowan, director-general of the BBC.

He told guests at a dinner of the Diplomatic and Commonwealth Writers' Association: "It is not only in Communist countries that journalists find themselves restricted, and this is certainly as true of broadcasting as of print journalism, if not more so."

Editorial freedom was the exception, not the rule. Using Iran as an example, Mr. Trethowan said: "We were told, particularly the BBC, by the Shah's Government, and also by a few influential people here, that we ought not to report the rising tide of opposition."

Mr. Trethowan did not say who the influential people were. He said that television's physical impact, and limits on the number of channels, tempted Governments to interfere.

This posed problems for journalists. If they reported freely from one country, but were barred from another, the result could be unfair and dangerously unbalanced.

Haulage costs may rise 19.5%

BY LYNTON McLAIN

MEMBERS OF the Road Haulage Association are expected to pass on to customers immediately the 19.5 per cent rise in costs which they have faced since January last year.

Almost half of the increase, 9 per cent, is a result of the 22 per cent wage settlement for drivers employed by members of the association which was agreed after the strike in January.

A further 5 per cent of the extra operating costs is attributed to higher non-labour costs last year and 4 per cent to fixed costs which the hauliers had to pay in the strike.

The final 1.5 per cent element of the increased costs has been included to cover increased fuel and tyre costs expected this year.

The total increase in costs and the expected rise in haulage rates is higher than that recommended by the Price Commission in its report on the industry last year. It said that charges should not rise by more than the general rate of inflation this year.

The rise in costs reported by the Road Haulage Association is also higher than that forecast by the Freight Transport Association on Monday.

The Association, which represents 15,000 companies using haulage services, forecast rises this year of up to 14.7 per cent.

Slow increase forecast in oil exploration

EXPLORATION in the North Sea oil and gas fields is expected to rise only slowly in the next five years, and development of fields will slacken from 1981 to the mid 1980s, according to a report on prospects for specialised vessels published yesterday.

The exploration of new oil and gas fields would increase by 2.1 per cent a year over the next five years, but demand for vessels would depend ultimately on the exploitation policies of governments involved in the North Sea development.

Terminal Operators, which published the report, said that demand was also linked with the uncertainty over Iran.

Britain would maintain its dominance of the exploratory drilling programmes in the North Sea, and between 1979 and 1983 would account for 55 per cent or 455 of the wells expected to be drilled. Holland and Norway would account for 16 per cent, and 17 per cent respectively.

The number of oil and gas fields which will have new platforms is expected to rise from five last year to 10 in 1980.

There will be a fall in demand for platforms after 1980, before a rise to 25 fields with new platforms in four years, when 171 platforms are forecast to be needed, compared with the present total of 104 installed in North Sea fields.

The number of jack-up rigs used in the area is not expected to change. But demand for semi-submersible rigs is expected to rise from the 30 in use last year to 35 by 1982.

There was still oversupply of pipelaying work vessels. The demand for lay barges will fall from 12 at the peak of last year to three in the early 1980s, rising to five by 1983.

Demand for repair and maintenance vessels is likely to rise from 37 this year to 49 by 1983, but the report said that the repair and maintenance, personnel transport and offshore accommodation sectors are all areas of uncertainty.

North Sea Oil and Gas Vessel Requirements to 1983, Terminal Operators, £65, Rodwell House, Middlesex Street, London E1 7HJ.

Set of silver candlesticks bought for £31,000

BY ANTONY THORNCROFT

CHRISTIE'S yesterday sold a collection of silver belonging to the Earl of Craven for £216,005. There were two exceptional prices—a set of four George II candlesticks of 1731 by Paul de Lamerie was bought by Koopman for £31,000 and a gold cup of 1764, weighing 116 oz and standing 15 inches high, was bought by another London dealer, Jessop, for £29,000. The cup had been a gift to William Lord Craven in 1765 from Edward, Lord Leigh.

A set of four George III Corinthian column candlesticks by the Irish silversmith Robert Breading of Dublin, 1805, made £7,500, also to Koopman, and a Regency silver gilt dessert service of varying dates by Paul Storr, William Chawner and George Angell realised £4,800 to Shrubsole. All prices carry a 10 per cent buyer's premium.

There was a minor Impressionist and modern paintings sale at Sotheby's with a top price of £1,200 for a ceramic plate decorated by Picasso-Plat Vallauris avec Faune 1956. The same sum secured Femme avec Fleurs by Jankel Kikoine.

An Imperial interchangeable cylinder orchestral musical box sold for £4,200 in a Christie's South Kensington auction of mechanical music. In a furniture sale, a Californian dealer paid £3,000 for a Wells Fargo desk while a Victorian mahogany long-case clock made £2,900.

At Sotheby Bearne in Torquay an overlooked Tabriz silk prayer rug, found on the floor of a North Devon cottage sold for £1,350, twice its estimate.

Aluminium deal worth £6.5m

BY ROY HODSON

BRITISH ALUMINIUM wants to buy the High Duty Alloys Extrusions Aluminium Company from the Hawker Siddeley Group for £6.5m cash. The two companies have agreed on the deal in principle and hope to conclude the sale soon.

For British Aluminium this means a serious move to expand its aluminium activities in Britain following on the group's reversion to all-British ownership last September. Reynolds Metals of America, sold most of its stake in British Aluminium to City institutions. At the same time, Tube Investments raised its holding in British Aluminium to 58 per cent, in a deal worth £45m to Reynolds.

Now British Aluminium plans to use the High Duty Alloys Extrusions manufacturing facilities at Workington, Cumberland, to develop its UK business. High Duty Alloys employs more than 800 men and last year had an estimated turnover of about £15m with a pre-tax profit put at nearly £1m.

Originally the Workington extrusions plant was designed to provide for aerospace requirements but now it has a wide spread of outlets including construction, household fittings, and defence.

British Aluminium intends to continue to run the company in its present form under its existing management as a separate entity within the group.

However, Hawker will retain ownership of two sister plants. They are High Duty Alloys Forgings at Redditch, and High Duty Alloys Castings at Slough.

FT CONFERENCE: EUROMARKETS IN 1979

Bankers challenged over dollar

Hugh Routledge

Mr. Norman Robertson (left), Mr. Harold Lever, Chancellor of the Duchy of Lancaster; and Dr. Charles Coombs (right).

U.S., EUROPEAN and Japanese authorities appear to be moving towards the idea of managing the dollar's exchange rate without publicly acknowledging it, Dr. Charles A. Coombs, a former vice-president of the New York Federal Reserve Bank, now director and consultant of First Chicago International, said yesterday.

He told the *Euromarkets in 1979 Conference*, arranged by the Financial Times, that although U.S. Treasury officials and central bankers had disavowed any intention of setting target zones for the dollar's exchange rate, that appeared to be happening.

He said: "I am inclined to think of such operations as directed towards a target rate—however, temporary and subject to change."

Dr. Coombs described the European Monetary System, the main subject of his speech, as a legitimate and understandable search for protection from the effects of the dollar's instability on the intra-European exchange rates.

Massive credit resources proposed for the system required close group surveillance and strict review of the uses of such credit.

The *future* of the system would be strongly conditioned, Dr. Coombs asserted, by the future of the dollar. A strengthening of the dollar should coalesce with progress towards European monetary unification.

Over the past decade, the free floating rate doctrine, where applied, has aggravated discrepancies in inflation rates, he noted, and should be made an academic model of the very long run.

Mr. Norman Robertson, senior vice-president and chief economist of Mellon Bank, chairing the conference, said that since the U.S. economic upswing is about to enter its fifth year, it seemed reasonable that the cyclical turning point would occur in the next 12 months.

In the current situation, however, a strong case could be made for sustained expansion extending into the final quarter of this year, or later. It was difficult to detect speculative excesses and imbalances that usually heralded a cyclical downturn in business.

Some ebbing of the present strength in capital spending seemed probable towards the end of this year, although a full recession was unlikely.

The threat of a big shortfall in oil supplies was adding to the risks of a more serious economic setback. Without an early resumption of exports from Iran, supply would tighten appreciably. Cutbacks might then match or exceed those of the 1973-74 crisis.

American economic policy had been slow to recognise the gravity of the inflationary menace. This year's Federal budget deficit was estimated by the Administration at $33.5bn, compared with $29.6bn last year, and would average almost $23bn in the first nine months of 1980.

The impression was mistaken that social welfare spending in fiscal 1980 would be drastically cut to provide for higher outlays in national defence.

Overall, American economic policy appears to be hovering uneasily between the need to curb inflation and the fear that tough anti-inflation measures might result in recession.

Any move towards restraint might initially intensify the recession rather than quickly ease inflationary pressures.

The near-term behaviour of U.S. interest rates would be heavily influenced by the persistence of uncomfortably strong inflationary pressures, little visible slackening in demand for credit, and probably a less than accommodating monetary policy. Borrowing costs are thus likely to remain high and in all likelihood the cyclical peak has not yet been reached.

Dr. Robert T. Parry, senior vice-president and chief economist at Security Pacific National Bank, agreed that interest rates had not yet peaked. Economic activity showed few signs of weakening, inflation remained unacceptably high, and concern continued over the foreign-exchange value of the dollar.

Short-term rates were likely to peak for the present business cycle towards the end of the second or early in the third quarter.

About mid-year, the economy was expected to enter a mild recession until early next year. Consumer spending was likely to show weakness first.

If the economy remained stronger for longer, as would be the case if consumer spending stayed buoyant, strength in economic activity might be prolonged further. The consequences might include an inflation rate of more than 10 per cent well into 1980.

Lord Chalfont, adviser to Lazard Brothers, said that the most important political change in Asia was in policies in China. The Chinese would need to borrow vast sums, and could do so only by a vast increase in exports.

Communicate, Charles tells managers

FINANCIAL TIMES REPORTER

PRINCE CHARLES, who has spent much of the past five months studying British industry, yesterday diagnosed what was wrong with it. The problem boiled down to bad communications by managers, he told a Parliamentary and Scientific Committee luncheon.

He said: "People are not impossible to deal with. Unions are not impossible to deal with. "Bloody-mindedness, if it arises, must do so surely because of misunderstandings."

From his visits to factories, he has learned that much of British management neglected "the human factor" in dealing with their work force. Instead of keeping their cards close to their chests, they should emulate the "open management" practised in the U.S.

The Prince said that a convenor of the shop stewards, in a factory at which he spent two days, told him of a manager who "breezed in in the morning with a pipe clenched firmly in the teeth, never bothered to acknowledge people, and gave instructions to everyone."

"When he had a problem, they all told him to get stuffed — probably through the shop floor supervisor."

Lot to learn

British managers had a lot to learn from American methods of managing people. "Their 'single status' system, which is now beginning to be adopted by certain British companies, has a great deal to recommend it, and basically means that the conditions of employment are the same whatever your position. It also means eating in the same canteen."

It was an over-simplification to assert that UK industry suffered because workers resisted change. "The evidence is that our people, like others, will tolerate change if they see it's necessity and properly understand its purpose and value.

"It is here, it strikes me, that the chief executive must have a special responsibility for communicating effectively about the nature of technological changes required and proposed, the objectives being pursued and their implications for the workforce.

"I discovered during my recent visits that the problem of communication between management and shop floor frequently stems from a failure of communications within management.

"When front-line managers are accused of poor communications, the truth is often that they cannot communicate because they don't know much themselves.

"There is a sense in which many British managements remain inclined to play their cards very close to their chest, in respect of company performance and plans.

"This is not calculated to gain trust and co-operation from the workforce, which is essential if they are to co-operate in the introduction of change.

"Open management involves a readiness to talk frankly and honestly with employees and their representatives about company performance, prospects and problems, in good times as well as bad."

Schools

The Prince also chastised British schools for giving too much status to text-book qualifications "divorced from the commonsense everyday world."

"It is little wonder, therefore, that by comparison with West Germany and France, too few of our graduates actually go into industry," he added.

Yesterday's lunch was the latest of a series of engagements in which the Prince has been learning and lecturing about industry, the economy and politics.

In October, he was at the Council of the National Economic Development Office, and sat in on NEDO working parties on trucks and electronics. This was followed by two-day visits to plants connected with these two industries.

In November, he lunched with EEC Commissioners in Brussels, and in December exhorted a conference on Energy in Aerospace to "pull our fingers out" in developing new fuels. At the Industrial Society, he told sixth formers, to go into industry, and foreshadowed yesterday's criticism of schools curricula.

Last week, the Prince shared a day in the life of the Prime Minister and Cabinet at 10, Downing Street and in the House of Commons.

Breeder reactor dangers examined

By David Fishlock, Science Editor

FURTHER EVIDENCE that a commercial fast breeder reactor, even if it were to suffer a major accident, would not endanger the public significantly more than present-day types of nuclear reactor, has been released by the Government's "watchdog" agency on radiation.

The National Radiological Protection Board has concluded that the radio-active cloud which could be released by a 1,300 MW fast breeder reactor in the event of a major accident would not present danger of a different order, in spite of the higher concentrations of plutonium in the reactor.

Its report, published yesterday, is the first of several "sensitivity analyses" requested by the Nuclear Installations Inspectorate which examines in more detail the characteristics of the radio-activity which could be released in an accident to a fast breeder reactor.

The original report, published 17 months ago, postulated an accident which somehow allowed 10 per cent of the core of the reactor to vaporise.

The latest study was undertaken because of growing evidence that people could be poisoned by plutonium and similar substances ingested through the gut, if they were associated with the metal sodium. This is an element used to cool present-day designs of fast reactor, and which forms readily soluble compounds.

But scientists with the National Radiation Protection Board find that the presence of sodium would make negligible difference to the toxicity of the radioactive cloud. They also found that the size and form of the aerosol particles released would make little difference.

The influence of the Physico-chemical Form of the Aerosol on the Radiological Consequences of Notional Accidental Releases of Radioactivity from a Fast Breeder Reactor. NRPB-R73. HMSO. £3.

Mail order book companies asked to check methods

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE OFFICE of Fair Trading has asked mail order book and record publishers, who deal with business worth £108m a year, to improve their handling of complaints and "exercise proper caution in billing and debt collection procedures."

The move follows the office's review of the first year of operation of the industry's code of practice which covers about three-quarters of the industry.

Mr. Gordon Borrie, Director General of Fair Trading, said yesterday that he was pleased in general with the way members of the Association of Mail Order Publishers were following the code of practice. But there were still some areas for improvement, including invoicing and debt collecting procedures and "the efficiency and promptness with which queries and complaints are handled."

Mr. Borrie also suggested that companies which adhere to the code of practice should include the association's insignia in advertisements.

About 2,000 complaints a year are made about mail order publishers—whose sales of books and records by mail order are estimated to total £108m a year—but about 40 per cent of complaints refer to companies which do not formally adhere to the code of practice.

Most complaints, according to the review, arose from the mechanics involved in mail order operations. The largest category of complaint concerned consumers who were pursued for payment when they had already returned goods or did not owe money, or where there was confusion over their accounts.

Other main causes of complaint were the sending of goods which had been cancelled or never ordered, and delayed delivery. Many of the consumers who wrote to the Mail Order Publishers' Authority, the association's disciplinary and complaints body, said that companies had failed to respond to earlier letters.

Although complaints about prize draws were relatively few, Mr. Borrie has asked the authority to consider extending the code in such a way that promotional material is clearly distinguished from goods offered for sale.

High-rise scheme for City

By Paul Taylor

A BIG high-rise redevelopment scheme for the City of London, including offices and flats, is being considered by council officials.

The proposals, for a site in the north of the City, have been put forward by the St. Bartholomew's Hospital Trustees and Wimpey, the building group, and are understood to be for a nine-storey office block, and 190 flats for hospital staff in a 12-storey block.

Official details of the scheme have not been released because it is still awaiting outline planning permission and has not been put before the corporation's planning committee or discussed in the Court of Common Council, the City's governing body.

The scheme is thought to involve demolition—mainly of empty properties owned by the Trustees, developers and the Corporation.

However, the area is believed to include listed buildings which could prove an obstacle.

The City Corporation is thought to be interested in the scheme because it would provide an opportunity to complete route 11 which is intended to be the principal traffic artery through the Square Mile.

Chemical unions attack Ennals

BY SUE CAMERON, CHEMICALS CORRESPONDENT

TRADE unionists yesterday accused the Government of dragging its feet over its industrial strategy for the pharmaceutical industry.

In 1977 the trades unions—dissatisfied with the approach being taken by the management side of the pharmaceutical sector working party—asked Mr. David Ennals, the Social Services. Secretary, to intervene. They asked Mr. Ennals to meet members of the sector working party and other trades union officers and drug company representatives, to consider all aspects of an industrial strategy for the pharmaceutical industry.

But they claim that Mr. Ennals made no response to their request for over a year. Last autumn he finally agreed to the idea in principle and it is understood that now—after a lapse of a further six months—he has agreed to attend a tripartite meeting towards the end of April.

Withdrawn

Meanwhile the trades unions have temporarily withdrawn from the pharmaceutical sector working party—one of 40 such bodies set up by the Government as part of its industrial strategy. The group has not met for over a year. As a result the sector working party was the only one in the chemicals field that failed to present an annual progress report to the National Economic Development Council earlier this month.

Yesterday, Mr. Roger Lyons, national chemicals officer of the Association of Scientific, Technical and Managerial Staffs, said it was "extremely worrying" that Mr. Ennals had taken so long to respond to the trades unions' request.

No reason

"The Government keeps saying that its industrial strategy is the way forward and yet we have had to wait for over a year for the Government to intervene on pharmaceuticals," Mr. Lyons said. "We have been given no reason for the delay and in the meantime the pharmaceutical sector working party has not been meeting at all. We would like to know what the hell is going on."

Mr. Lyons said that the unions had been dissatisfied with the management side of the pharmaceutical sector working party because industry representatives had not attempted to set no discussions on such things as manpower planning at company level. The management side of the sector working party had been interested only in "wringing drug price increases from the Government," he said. It had not been willing to set up a dialogue on such things as investment plans with the trade union side.

Gas 'costs less than N-power'

By David Fishlock

NUCLEAR POWER cannot compete with gas from the southern basin of the North Sea, which is being sold to the British Gas Corporation for 3p a therm, said Sir John Hill, chairman of the UK Atomic Energy Authority, at the Energy Show in Birmingham yesterday.

It was, however, competitive with coal at a pithead price of 10p a therm, and oil at a world price of 13p a therm.

In Britain, Western Europe and Japan, nuclear power was a "substantially cheaper" way of producing electricity than the burning of coal, and also cleaner, safer and environmentally preferable.

Wave-power was "just too expensive" because of the cost of the structures required to survive winter storms in the North Atlantic. Wind-power might make "some contribution at a few particularly suitable sites."

Sir John asked why we should deny ourselves nuclear power preferring to send more men down coal mines, with a resulting higher cost of electricity.

Those who attacked nuclear power were reluctant to quantify their objections because, he said, "it is easier to paint an exaggerated picture of what might happen than to do the careful analysis of what has happened or what is likely to happen."

Sainsbury to test electronic checkouts

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE J. Sainsbury supermarket chain has become the latest store group to experiment with computer-linked electronic checkouts.

Sainsbury is already experimenting with computerised checkouts at its SavaCentre hypermarkets, which it jointly owns with British Home Stores. But yesterday the company said it believed it necessary to experiment in its supermarket to compare differences with the lessons learnt in hypermarkets.

Sainsbury is to try out the two main systems for retail checkouts being marketed in the UK by IBM and NCR. The IBM system trial will take place in June at Sainsbury's supermarket at Crawley, and the NCR machines will be tested at the Chippenham branch in September.

In each trial the cashier will enter a code number in the cash register rather than a price. The computer will then check that code number with its memory bank and transmit the description and price to cash register display and to the customer's printed receipt.

Both systems can be upgraded to incorporate laser scanning of special codes printed on goods when these bar codes are widely introduced.

Sainsbury stated yesterday that laser scanning of goods would achieve the company's main objective of a faster checkout service, while still retaining accuracy.

But the manual input of information by checkout staff, Sainsbury said, would give customers a better service in providing information on products bought as well as the price. Store managements would also benefit from more data on sales trends and other management control information.

Most other major supermarket chains are also experimenting with advanced computerised checkouts. International Stores is carrying out a similar trial of the rival IBM and NCR systems and is expected to reach a final decision later in the year.

Giro cheque cards move into Europe

Financial Times Reporter

THE POST OFFICE'S National Giro is planning to extend its cheque guarantee card facilities into most Western European countries.

This will mean that from the spring, holders of the Giro's £50 cheque card will be able to go into almost any post office on the Continent and obtain currency.

Giro said yesterday that the facility would increase the number of outlets for cashing giro cheques by "tens of thousands."

Most countries in Western Europe have post office giro systems similar to those in the UK, while the Dutch and French giros already have a facility for holders of their cheques to cash cheques in the UK.

Acrow plans to build up management team

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE ACROW GROUP, whose founder and chairman, Mr. William de Vigier, has resumed the post of chief executive after an absence of three years, is building up a four-strong team of deputy managing directors.

The team will consist of Mr. W. Ian Green and Mr. F. Ronaldson, both group deputy managing directors responsible for marketing and overseas companies respectively. They will be joined by a director of engineering and manufacturing, whose appointment will be announced shortly, and a director of finance, who has yet to be selected. All four will have the title of group deputy managing director.

The appointments will go some way towards strengthening the gap left by Mr. Bill Jack, the group managing director, who resigned unexpectedly last month. Mr. Jack had been appointed three years earlier when Mr. de Vigier resigned the managing directorship, saying he wanted to disengage himself from executive control.

● Acrow Automation materials handling and storage equipment manufacturers, announced yesterday a £1½m contract for the supply of equipment to Libya.

Rising airline costs may force up fares

BY OUR AEROSPACE CORRESPONDENT

AIRLINE COSTS are rising alarmingly, Mr. Adam Thomson, chairman of British Caledonian Airways, said in London yesterday.

Fares, instead of continuing to fall, might have to rise.

Mr. Thomson told a conference on lower air fares organised by the Royal Aeronautical Society that navigation charges were going up, although Eurocontrol, the European body in charge of navigation services was "completely and utterly inefficient and unable to cope with the requirements of the air transport market within Europe."

Fuel was to rise by a fifth this year. Fuel bills already account for up to a quarter of airlines' costs.

Landing fees were expensive and were rising.

"New aircraft are increasing in cost substantially all the time. Spare parts are increasing in price, catering is going up, construction costs as well — all increasing by percentages that in some cases resemble telephone numbers."

Opportunities for air travel were unlimited, yet as for fares: "We are bottoming out. My own opinion is that fares will go up."

Mr. Thomson considered that the airline industry could use more flexibility. The three-cabin concept, in which different fares are charged for each cabin in one aircraft, might be extended to routes other than the North Atlantic.

"I can certainly see that spreading to other parts of the world, but it will take time.

Some European air fares might be reduced, but only under particular conditions.

"The consumer will, as he is now on the North Atlantic, be paying for what he gets.

"He will be buying different products. If he really wants all the flexibility in the world, to depart during rush hour, be able to switch his booking and have other privileges, and all the rest of it, and first-class service as well, he is going to have to pay for it.

"If, on the other hand, he fits in with the airline requirements in filling otherwise empty seats, then I feel sure his fare will come down."

Gatwick taxi-way may be used as spare runway

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE BRITISH AIRPORTS Authority is to discuss with airlines using Gatwick Airport a plan to turn the taxi-way into a spare runway that could be used in any emergency when the main runway is blocked. There will be no second main runway.

This plan, which will cost up to £4m to implement, is part of the authority's long-term plans to expand the capacity of Gatwick from its present maximum of 16m passengers a year to 25m by the mid-1980s.

They include building a £100m second passenger terminal capable of handling up to 9m passengers a year on land north of the existing runway.

Planning applications for these will be submitted to local authorities next Wednesday. But Mr. Peter Shore, Secretary for the Environment, has already said that he intends to call a public planning inquiry into the proposals.

Giving further details of the authority's proposals yesterday Mr. Norman Payne, chairman of the authority, said that land was not available for a second main runway.

But because of pressure from airlines, which expressed concern at dangers in expanding Gatwick with only one main runway, the authority had agreed to consider an "emergencies only" runway by widening the taxi-way.

This runs parallel to the main runway. It can be widened to 45 metres, over a length of 2,500 metres, which would mean that in emergencies it could handle short-haul jets on European routes, and some long-haul services.

The authority believes that such an emergency runway is unlikely to be needed.

The second terminal now proposed at the airport will have multi-storey car parks, road access and other services, but will be connected to the present terminal and the London-to-Brighton railway by a "tracked transit system." There will be stands for up to 20 wide-bodied aircraft, such as Airbuses or Boeing 747 Jumbo jets.

The authority is also submitting a planning application to cover development of maintenance, cargo and other facilities.

The aim is "a clear framework for the ultimate development of the airport," says Mr. Don Turner, planning director.

Including the £100m-plus already spent, the proposed new facilities would bring total development costs to well over £200m.

But the authority has made clear that while it might spend more than that to keep the airport up-to-date, it will not extend the airport beyond 25m passengers a year.

Belfast air service plan

BRITISH MIDLAND Airways is seeking permission to operate a service from Belfast to Heathrow Airport, in direct competition with the British Airways shuttle, writes our Belfast Corr.

British Airways officials in Belfast said British Midland had applied to the Civil Aviation Authority to switch to Heathrow from Gatwick.

It is expected that British Midland will confirm that it is making the application at a Press conference in Belfast. The airline envisages using jet aircraft, instead of turbo-prop Viscounts.

British Airways said that direct competition on the Heathrow route could lead to the withdrawal of the two-hourly shuttle service from Belfast and a return to the former system of bookable flights.

Currency flow and gilts link

By Peter Riddell, Economics Correspondent

A TWO-WAY causal relationship appears to exist between foreign exchange flows and the gilt-edged market, according to a research paper published by the Bank of England.

The study, by Mr. B. C. Hilliard of the Bank's economic staff, is the second of a series of discussion papers published by its Economic Intelligence Department.

The new paper sets out to test whether there is any statistically-defined causal relationship between external inflows and sales of gilt-edged securities by the authorities, thereby implying a causal relationship between external flows and domestic credit expansion.

"While it is possible to define the change in the money stock in terms of a domestic component (DCE) and a foreign component (reserve changes), it is not necessarily the case that DCE is independent of reserve changes, as is frequently suggested by the monetary approach to the balance of payments," the paper states.

Exchange flows and the gilt-edged security market: a causality study, by B. C. Hilliard. Discussion Paper No. 2 from Economic Intelligence Department, Bank of England, London EC2R 8AH.

Atomic Energy staff likely to accept 8.8%

BY NICK GARNETT, LABOUR STAFF

UNION OFFICIALS representing 4,500 manual workers at the United Kingdom Atomic Energy Authority yesterday agreed to recommend a pay offer worth 8.8 per cent.

The offer, which is above the 5 per cent guideline, even taking into account new provisions for the lower paid, shows the determination of the Government to try and ensure that deals in the public sector are kept to within single figures.

It appears to reflect, however, the unofficial Government fall-back position of about 9 per cent for those groups where the employers do not believe they can settle for any less.

The local authority manual workers are being recommended to accept a deal only marginally higher although they are taking part in a pay comparability exercise which holds out the prospect of further money this year.

The Atomic Energy Authority offer, which has been sanctioned by the Government is made up of 5 per cent, extra money under the special low pay provisions, and consolidation of existing flat rate pay supplements into basic rates.

'Reasonable deal'

This gives craft grades a rise of £4.15 a week and non-craft grades £3.50, backdated to October, the group's settlement date.

Unions and management also agreed yesterday the basis for negotiations on productivity at local level. This was the final outcome of national pay talks on productivity that were started in 1977.

The unions, which include the Transport and General Workers Union, the General and Municipal, the Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union had submitted a claim which included a 20 per cent increase on craftsmen's rates.

Mr. Mick Martin, the Transport Workers public services national secretary said however that the offer would be seen by atomic workers as a reasonable deal and would be accepted.

Consolidation would especially help shift workers who had been particularly concerned by their pay levels.

Rail unions turn down offer but parity study is promised

BY PHILIP BASSETT, LABOUR STAFF

RAIL UNIONS yesterday rejected a pay offer of 6.38 per cent, but the British Railways Board, in response to pressure from the largest union, the National Union of Railwaymen, agreed to consider a comparability study with private sector pay.

The study, which the Board said it would consider "as a matter of urgency," is unlikely to be a comprehensive review of similar jobs in private industry, but would be an examination of major public sector settlements such as the miners' or the power workers'.

It would be unlikely to be anything comparable to the last railway study into outside pay in 1959 which covered banking and insurance as well as manual jobs because of the revision of the railway grading structure under a pay and efficiency exercise.

The 6.38 per cent offer was made up of 5.38 per cent on basic pay, which is the Government's guideline for the industry, plus the £3.50 low-pay provision, estimated at a further 1 per cent.

The Board will meet a week today to consider the union's request to improve the offer. The unions have tabled "substantial" claims, estimated to be worth more than 20 per cent, and have separate claims being examined by a tribunal for a reduction in the working week, which the Board claims would cost 12.5 per cent.

The train drivers' union ASLEF has also claimed special responsibility payments of 10 per cent which a tribunal will also report on. The other unions have made it clear they will demand similar increases if the footplate staff win their claim.

Productivity was not examined at yesterday's talks, though the Board has tabled proposals designed to give savings of up to £10m at a loss of 1,400 drivers' jobs and, according to the NUR, a total of up to 20,000 jobs throughout the industry.

Present basic rates are £63.80 for drivers for a 44-hour week with average earnings of £97.67; £53.90 for guards (51 hours), average earnings £89.03; £44.70-£55.30 for railwaymen (55 hours), average earnings £86.25; and £56.15-£73.30 for signalmen (55 hours), average earnings £107.92.

Services, particularly in Scotland and some in the north, were disrupted again yesterday by the second day of a 48-hour unofficial strike by maintenance workers in support of the parity claim.

No ACAS move on steel claim

By Christian Tyler, Labour Editor

AN ATTEMPT by the largest steel union to put its 12½ per cent pay and productivity claim to arbitration has been side-stepped, and further negotiations with the British Steel Corporation will be held tomorrow.

The Advisory, Conciliation and Arbitration Service is understood to have told the Iron and Steel Trades Confederation that BSC considers itself still in negotiation and that it cannot intervene until there is a deadlock or a dispute.

The Iron and Steel Trades Confederation had hoped for peaceful resolution of its claim—8 per cent for inflation and 4½ per cent for past productivity—by breaking with normal practice and asking ACAS for arbitration.

This appears to have embarrassed the service. The union's move also conflicts with the advice of the TUC in its recently-published guide to negotiations which says that "an excessive reliance on arbitration can weaken the effectiveness of the negotiating procedures in resolving disputes."

Closures

Despite this, Mr. Bill Sirs, the union's general secretary, was confident yesterday that the negotiations would be productive.

Whatever the Steel Corporation offers, whether it is the official 5 per cent limit on earnings or more, it is likely to contest the union claim because of its serious financial straits. The union's claim for a shorter working week is likely to be rebuffed—as in other nationalised industries like coal and the railways.

The Iron and Steel Trades Confederation executive is due to discuss today or tomorrow the Steel Corporation decisions to end iron and steelmaking at Bilston, Staffs, and Corby, Northants, with the loss of some 8,000 jobs. About 100 workers from both plants lobbied the union's headquarters yesterday.

Closed shop case opens

A MAN who was sacked by a Labour-controlled council after 22 years of service for refusing to join a trade union, claimed at an industrial tribunal yesterday that he had been unfairly dismissed.

Mr. Harold Borrutt, aged 57, of Norwich, was dismissed after Norwich council agreed to operate a closed shop.

Mr. Borrutt's case was adjourned so that he could be legally represented.

Busmen will be told to reject 6% deal

BY NICK GARNETT, LABOUR STAFF

UNION LEADERS yesterday rejected a 6 per cent pay offer for drivers and ancillary staff working for the nationalised bus companies.

The offer is being recommended for rejection early next month at a special union delegate conference which is almost certain to decide on industrial action.

Mr. Larry Smith, the Transport and General Workers Union national passenger transport secretary, emphasised yesterday that such action would be designed to secure a pay comparability exercise for bus drivers rather than to force up the present offer.

The unions have already asked for a pay comparability exercise for the 100,000 drivers working not only for the National Bus Company and related operations, but also for the municipal authorities and passenger transport executives.

The Government has not formally responded to the request although at a meeting with Mr. William Rodgers, Transport Secretary, Mr. Smith was given the strong impression that the department was not sympathetic to the idea. Mr. Rodgers said the request would have to be put to the Cabinet.

Any decision to set up an inquiry, which the unions would also like to investigate possible improvements in the level of Government grants, would affect decisions made by the delegate conference.

The unions have told the municipal authorities that they would be prepared to recommend an "interim" deal of 6 per cent providing this was coupled with an inquiry.

The authorities, which have been warned by the Government that they could lose cash grants if they struck a settlement outside single figures, replied that they would agree to an inquiry providing it was initiated by the Government.

The unions have been seeking a deal for bus drivers similar to that secured by lorry drivers with whom the busmen would want to be compared in a comparability exercise.

Ministries men stand by strike

By Our Labour Staff

LEADERS of the two Civil Service trade unions which have called their 285,000 members out on strike over pay tomorrow denied yesterday that their action was in breach of the agreement last week between the Government and the TUC.

Mr. Gerry Gillman, general secretary of the Society of Civil and Public Servants, said that the unions were not in breach of the concordat or their pay agreements. They were simply trying to hold the Government to its agreement.

The unions now had every reason to assume bad faith on the part of the Government. "The Government's record is not a good one. Why should we be so naive as to buy a pig in a poke?"

The Government is prepared to implement a staged settlement for 600,000 white-collar civil servants based on the findings of the independent Pay Research Unit comparability study, which the unions say show increases due averaging 26-38 per cent.

The unions are dissatisfied, though, with the looseness of the Government offer.

ELECTRONIC COMPOSITION TO BE INTRODUCED

Express breakthrough offers little comfort at the Times

BY JOHN LLOYD

EXPRESS NEWSPAPERS' announcement yesterday that it has successfully agreed with the National Graphical Association on the introduction of electronic composition for the group's four newspapers, is a sharp contrast to the continuing stoppage at Times Newspapers, where the NGA and management are deadlocked.

However, the simple comparison masks a fundamental difference. Times Newspapers is holding out for the introduction of what is variously known as "single keystroking" or "direct inputting" — that is, where journalists and advertising staff type their copy into a computer, which then sets it, without the intermediary work of a printer.

The NGA, as the representative of the compositors, is wholly opposed to single keystroking. The agreements it has so far signed on Fleet Street—with the Daily Mirror and the Observer as well as with Express Newspapers—allow for computer setting and the introduction of the latest technology but under the exclusive control of NGA compositors.

Express Newspapers argues—as does the Mirror and the Observer—that it has not eschewed single keystroking because the NGA would not accept it, but because it avoids lengthy and often unsuccessful re-training of journalists and advertising staff, and experience elsewhere has shown that the new technology requires a high level of skill which printers have and others do not. The NGA, naturally, does not demur from this.

Thus it appears that some papers, at least, in Fleet Street may not wait for the resolution of the Times dispute, but will seek to avoid a similar impasse.

Editions

The two big manufacturers of electronic typesetting equipment, Monotype International and Linotype Paul, are optimistic that national newspapers will soon make large purchases.

Monotype has supplied its Lasercomp system to the Observer, while Linotype has sold two of its System Five 606 machines to the Mirror Group, where one of them composes type for the Daily Mirror, the Sporting Life and Reveille at the rate of 3,000 words a minute, while the other acts as a back-up.

At present, single keystroking is to be found only at one newspaper in the UK, the Nottingham Evening Post, where the managing director, Mr. Christopher Pole-Carew, claims that 85 per cent of the paper's copy is keyed directly into the computer by journalists or advertising clerks, and that the remaining 15 per cent—largely wire-service copy—will soon flow straight into the system as well.

Because of this, Mr. Pole-Carew says, the newspaper is able to run nine editions a night over its 146,000 circulation, changing up to four pages on each edition. The printroom now has a staff of 17 compositors, compared with the 1967 peak of 214.

Mr. Pole-Carew does not recognise unions. A bitter strike of printers and journalists in 1973 was broken by the paper's management, and only about half of the 300 staff who went on strike were taken back.

He claims that the unions did not recognise the no-victimisation agreement negotiated then, and "since then I have not allowed a union negotiator on the plant." So successful has the system been—it is based on ICL computers and Monotype Lasercomp machines—that a Swiss-based subsidiary has been established to market it, and the South African Johannesburg Star is keenly interested.

For the rest of the regional Press, much hinges on the national agreement which should be signed next April: that may mark the possibility of a further movement forward, or signal a stop.

The Newspaper Society, which will sign the employers' side of that agreement, has been carrying on talks about new systems with the printing unions affiliated to the TUC—which includes the National Union of Journalists, but excludes the Institute of Journalists—and admits they are virtually at stalemate.

The argument about whether advertising clerks and journalists should have access to the computer typesetting terminals will also be different in different sorts of newspaper. At the Daily Mirror, for example, each article is relatively short and heavily edited, and the volume of classified advertisements are small. A good argument may be made there for giving all the keystroke work to members of the NGA.

Fleet Street may not wait for the resolution of the Times dispute—but try to avoid a similar impasse.

At The Times, however, the economic factors are completely different. Individual articles are longer and tend to be printed much as they are written.

Moreover, The Times believes the computer terminal could be an important aid for the journalist by giving him access to electronic library files at the time he is writing a story. The Times publications also include a large amount of classified advertising which would not in theory need to be retyped by a compositor.

Information on how the UK compares with other countries with an advanced newspaper culture is scanty. In general terms, it would appear that European newspapers are moving to the new technology much more slowly than in the U.S. A survey taken a year ago showed that only 28 of nearly 2,000 setting locations for daily and weekly newspapers had integrated, computer-based systems.

However, the European picture is varied, with the smaller countries generally in the lead. Holland is well advanced, while Denmark, Sweden, Belgium, Switzerland and Germany are introducing systems steadily. Italy, France and the U.K. are proceeding more carefully while Austria and Norway have yet to begin.

Almost all U.S. newspapers have adopted or are adopting photosetting techniques, coupled with keyboards which input editorial and advertising copy directly into the computer from these departments.

The New York Times has recently gone over to "100 per cent single keystroking," according to Mr. Alan Segal, a Times news executive who was closely involved in designing its system.

The paper's 1974 agreement with the print unions gave it the right to automate, on condition that there were no forced redundancies, that there were generous pay-offs to those printers who wished to leave, and that those who wished to stay were given life-long employment. The composing room workforce has since shrunk from about 800 to between 300 and 400.

The Washington Post is probably the last big newspaper to make the change, as its vice-president in charge of manufacturing, Mr. Don Rice, ruefully confesses.

About half of its average 80-90 daily pages (over 200 on Sundays) are set in "hot metal," rather than the "cold type" of photocomposition. But Mr. Rice believes that the system developed in collaboration with the Raytheon corporation will be the most advanced editorial system of its kind, and will set "an industry standard" when it begins operation later this year.

The new equipment, which will include about 300 terminals in Washington and in Post bureaux throughout the U.S., will cost around $5.5m, and will allow access into the system by reporters, sub-editors and editors so that copy can flow from terminal to terminal for checking and editing before being sent down into the computer for setting.

Later, the terminals will be able to display information from the Post's library. Like The Times, the Post signed an agreement with its printers in 1974 which allowed it to proceed in return for a guarantee of jobs for life.

The issue of the introduction of the new technology in West Germany's newspapers was much in the news early last year, and the settlement which was reached in March was very much an uneasy compromise.

In essence, the printing union, I. G. Druck und Papier, and the newspaper employers have agreed:

- that keyboards may be introduced, but that "hot metal" printers will operate them over the next eight years. No journalist or advertising clerk will operate them unless that was established practice before the dispute.
- that most of the printing grades, including proof readers, will have their present income guaranteed for life.
- that "hot metal" printers will be re-trained, if they wish, over 13 weeks at full pay, while others wishing to be retrained in other jobs will be subsidised by their employers to do so, and receive a generous grant if they move house.

In short, a virtual eight-year moratorium on single keystroking has been put on the German newspaper printing industry, though in the long term the highly-paid printworkers high differentials over other workers will be eroded, and so, too, may their jobs.

In **France**, as an overall judgment, the industry appears to be in a similar position to the UK. A big difference is that where the UK renegade is a regional paper—the Nottingham Evening Post—the French equivalent is a major Parisian daily, Le Parisien Liberé.

Once owned by the autocratic M. Emilien Amaury, it passed on his death two years ago into the control of M. Robert Hersant, who also controls Le Figaro, L'Aurore and France Soir, giving him a virtual monopoly over the country's big right-wing dailies.

Le Parisien Liberé, which is wholly non-union, has adopted a computerised system and cut its printers from 600 to 150, as editorial and advertising copy is keyed in directly. Mr. Evert van Meerten, the European newspaper specialist at the Monotype Corporation expects that other Hersant papers will follow on, bit by bit, over the next 18 months.

"Le Monde is now the only major daily still entirely hot metal, with no obvious plans to switch over. In most of the big provincial papers, the managements are putting in big computer systems which will be able to operate on the single keystroke model."

However, Mr. van Meerten notes also that in Belgium, the one newspaper to take up the new technology enthusiastically—the Brussels Standard—has been plagued with incessant labour problems since. "They have put in keyboards and screens, and are trying to get the journalists to use them. But so far it has not been successful."

Many of the leading Italian newspapers, including Corriere della Sera, La Stampa and Il Messaggero, have introduced photocomposition and computerised typesetting systems. But none has so far concluded an agreement with the one print union, the Typographers' Union, to allow other than print staff to key in editorial or advertising copy.

But managements say that it will not be long before there is agreement. "They are not saying yes, but they are not exactly saying no," says Mr. Pietro Buffa, technical director of the Corriere.

In the case of his newspaper, agreement has been reached for the computerised setting of material keyed in by a journalist from a remote terminal in, for example, the paper's Rome bureau (it is printed in Milan), and also for the computerised setting of agency material. By 1980, he says, there will be agreement on single keystroking in the Milan office—though it may not be all-embracing.

European newspapers are moving to the new technology more slowly than those in the U.S. Information on how the UK compares is scanty.

There will, however, be no redundancies — that much is regarded throughout the Italian Press as a sine qua non of the new technology's introduction, apparently accepted by both sides.

For Corriere, this is said to be no hardship. The group is expanding: rather like Mr. Victor Matthews' Express Newspapers regards the problem as that of being underworked, rather than overmanned.

Gillett Brothers Discount Company Limited

Preliminary Results

The directors of Gillett Brothers Discount Co. Ltd. announce the results (subject to audit) for the year ended 31st January, 1979.

		1979 £		1978 £
Group profit for the year after tax and transfer to contingencies		212,932		1,013,655
Balance brought forward		482,456		440,505
		695,388		1,454,160
Dividends paid and proposed		468,563		375,235
		226,825		1,078,925
Transfer to general reserve	—		250,000	
Additional reduction in goodwill	—		346,469	
		—		596,469
Balance carried forward		£226,825		£482,456

The directors propose a final dividend of 10.251% (15.3% gross). Together with the interim dividend paid in August last of 6.7% (10% gross) this amounts to a total of 16.951% (25.3% gross) being the maximum permitted by law. Dividends paid in the previous year were an interim of 6.6% (10% gross) on the ordinary share capital excluding the rights issue and a final of 8.58% (13% gross) on the increased capital.

The following are the main items shown by the balance sheet.

Total capital and published reserves	4,637,604	4,893,235
Bills discounted	192,658,085	191,448,969
Sterling and dollar certificates of deposit and currency instruments	11,415,717	18,708,682
Listed investments	8,052,374	29,689,126
Goodwill less amount written off	500,000	800,000
Contingent liability on commercial bills rediscounted	46,411,000	42,096,000

Callaghan urges Welsh to control their own destiny

'Whitehall doesn't always know best'

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN last night urged the Welsh people to vote for devolution and "take a firm grip on their own destiny."

In the keynote speech of Labour's pro-devolution campaign at Swansea, the Prime Minister declared: "Take power: have the vision and the courage to vote Yes."

The Government's proposals offered the best chance in generations to give full expression to the wishes and to the special needs of the people of Wales.

"We will enhance the unity of the United Kingdom. We will inject new vitality and new meaning into politics in Wales . . . strengthen the sense of Welsh nationhood."

Mr. Callaghan told the Labour rally: "The cost of devolution will be small. The price paid if the opportunity is missed could be high."

The Government's plans had not been based on any last-minute expediency but on a thorough examination of how best the legitimate desires of Welsh people for a greater say in their own affairs could be recognised while preserving the unity of the UK.

"Our proposals are founded, not on fear of nationalism, but on the conviction that there are many aspects of government which can be administered in Wales more sensibly, more effectively, and more democratically by an elected Assembly directly answerable to the people of Wales," he said.

Devolution was part of the Labour Party's "new design for democracy" which would hand back power to the people over their own lives.

"Whitehall does not always know best . . . Too many decisions—and I say it as Prime Minister—are taken too far away from the people."

Mrs. Thatcher and the Tories were opposed to devolution, said Mr. Callaghan. "Are we to let them turn back the tide of history?"

Members of the Welsh Assembly would take responsibility for many decisions vital to the lives of the Welsh people.

"It is inevitable that they will be more attuned to the wishes

of the Welsh people and have more time for detailed scrutiny of the issues.

"As a result, we can expect an efficient and effective decision making process to emerge which allows for full participation and democratic control and produces more widely acceptable policies."

Mr. Callaghan stressed that nominated bodies like the Welsh Development Agency and the Welsh Tourist Board would be controlled by the Assembly.

Local authorities would have the same relationship with the Assembly that they now had with the Westminster Government.

"Devolution will result in better government, not more government," he asserted.

The Prime Minister dismissed suggestions that the number of Welsh MPs at Westminster would be reduced or that their role would be less meaningful. They would continue to play a complete and vital role, he declared.

Mr. Callaghan went on to deny allegations that devolution would lead to vastly increased costs and he vigorously rejected "unjustified scaremongering" about the future use of the Welsh language.

An assembly dominated by Welsh-speaking members and discriminating against non-Welsh speakers was inconceivable, he said.

The assembly would decide on the use of Welsh in its affairs but he was sure it would act with common sense and reason and reflect the needs and interests of all sections of Welsh society.

The Prime Minister concluded: "I make one confident prediction—once the people of Wales get a taste of debate and decision-making closer to the people, they will never again let what should rightly be Welsh decisions slip back to the corridors of Whitehall and Westminster."

● Any prospects of party political broadcasts on the devolution referendum in Scotland and Wales were finally ruled out yesterday.

The Government Chief Whip, Mr. Michael Cocks, rejected a Conservative proposal for an equal number of broadcasts for and against the devolution proposals.

A Scottish court last week granted an injunction against the IBA's plans to screen four party politicals.

It ruled that a proper balance could not be preserved when the Labour, Liberal and Scottish Nationalists were in favour of devolution and only the Conservatives opposed to it.

The BBC later also decided not to transmit the programmes.

Scanlon takes seat in Lords

LORD SCANLON, formerly Mr. Hugh Scanlon, who retired last year after 10 years as president of the Amalgamated Union of Engineering Workers was introduced in the House of Lords yesterday.

A former Communist, Lord Scanlon, who is to be known as Baron Scanlon of Davyhulme, was created a peer in the New Year Honours. He will sit on the Labour benches.

COMBINED POLL: There was "widespread support" in the Labour Party—both in Parliament and in the country—for a combined general election and Europoll on Thursday, June 7, a Labour MP declared last night.

Such a joint poll was a "recipe for a Labour landslide victory and for a majority Labour Government thereafter," Mr. Hugh Jenkins told a meeting in his Putney constituency.

He said the combined date would minimise expenditure, avoid the risk of a derisory EEC vote, maximise the Labour vote and minimise the Tory vote.

VOLUNTEER CALL: The Bishop of Southwark, Dr. Mervyn Stockwood, yesterday urged the Government to call in volunteers to cross picket lines to help the sick, the elderly and children during the present public service strikes.

He told the Lords that he supported a reasonable increase in a day's pay but added: "In my own diocese when I appealed to people to go through pickets, if need be, to take old people to the lavatory and to feed them and to see they were taken to bed, we had far more volunteers than we could cope with."

BOLIVIAN AID: The Government is to go ahead with plans to aid Bolivia's mining industry, Mrs. Judith Hart, Overseas Development Minister, told the Commons yesterday.

The offer was withdrawn two years ago after there were British protests about Bolivia's human rights record and harassment of mining union leaders.

SINKING FEELING: A Bill to improve compensation for damage to housing caused by coal mining subsidence was given a formal first reading in the Commons today. Mr. Jack Ashley (Lab., Stoke-on-Trent S) said it would help the householder who got that "sinking feeling" when he saw his house fall because of subsidence.

The Bill is unlikely to become law because of lack of parliamentary time.

Ennals attacks 'reckless' ambulance action

BY IVOR OWEN

THE UNOFFICIAL action taken by ambulancemen in London, Manchester, Liverpool and other areas in withdrawing emergency services was condemned as "reckless and irresponsible" by Mr. David Ennals, the Social Services Secretary in the Commons yesterday.

He indicated that the employers are likely to make their "final offer" when negotiations are resumed today and are hoping the union leaders will agree to recommend it to their members.

Mr. Ennals maintained that, in these circumstances, the unofficial action — irresponsible at any time — was "utterly pointless."

But he refused to go all the way in matching the condemnatory words of Mr. Patrick Jenkin, the Conservative shadow social services secretary, when he protested that, over the past five weeks, 300 London ambulancemen had been on full pay even though they had been sitting doing nothing.

Ignoring Labour cries of dissent, Mr. Jenkin claimed that this was the damaging consequence of a misguided and misconceived circular sent out by Mr. Ennals to the health authorities.

"When are you going to cease to be a soft touch?" he demanded.

Mr. Jenkin, who asserted that nearly half the ambulancemen in the country earn more than £90 a week, pressed for assurances that those who had remained loyal to the service would not be subjected to reprisals or victimisation.

While agreeing that there could be no possible justification for action designed to leave the population without emergency cover in times of accident or serious illness, Mr. Ennals insisted that some of the remarks made by Mr. Jenkin would do no good either to the ambulancemen or to the negotiations.

He explained that the use of service ambulances had been authorised in London and Manchester because, even with the support of the police and voluntary organisations, the emergency service could not be maintained.

The use of service ambulances would be authorised in any other area where a similar situation arose.

Mr. Ennals said that the average gross pay of ambulancemen in Britain was £86.00 but he stressed that this included overtime working, shift duties, night duties and weekend work.

He hoped that there would be no bitterness, no recriminations, no reprisals and no sackings when the dispute was settled.

Outposts consider relevance of Assembly

BY LISA WOOD

THE devolution aspirations of the Scottish mainland are largely irrelevant to the islanders of Orkney and Shetland, Britain's most northerly outposts.

To the casual glance of the Southerner, the two windswept islands are simply a chilly extension of Scotland.

But in the last few years, oil has changed the social and economic complexion of the islands and given them a political importance out of all proportion to their size and location.

Sullom Voe, Shetland, hosts the largest oil terminal in Europe and its construction is the biggest project in the UK.

Superficially, the two groups of islands appear similar. The islanders are of Norse, not Celtic, extraction. They became part of Scotland only in the 15th century and they both have traditional industries which are being affected by the oil.

Both are crying out for more local autonomy over their affairs and much of the debate over the referendum hinges on whom the islanders believe will be more likely to award those increased powers.

Some fishermen on the islands are firm Scottish Nationalist Party voters, attracted by its policy on fishing limits.

Traditionally, the majority vote on both islands is Liberal. But it is a vote more for Mr. Jo Grimond, MP for Orkney and Shetland, than for his policies.

But there are differences and these will be reflected in the voting pattern on March 1. Orkney will probably register a sharp No in the devolution referendum; Shetland may return a majority Yes vote, although this will be affected more by what the Government has promised Shetland if it votes Yes than by any love of a Scottish Assembly.

Shetland's economy and social fabric is much more profoundly affected by North Sea oil than Orkney and it wants the Government to set up a special commission to investigate its problems.

This wish contributed to an amendment to the Scottish Bill in 1978 by Mr. Grimond, which would have allowed Shetland and Orkney to opt out of the devolution apparatus if the majority of the islanders voted No in the referendum. A special commission into the islands would then have been set up.

But the prospect of a probable majority island vote against devolution alarmed the Government. It persuaded the Shetlands Islands Council to withdraw support for the amendment.

Amid strong lobbying for Shetland to be treated as a special case, it promised a special commission if the Shetlanders voted Yes.

Shetlanders, desperate for the commission but with a feeling of emotional and practical separation from Scotland, are in a dilemma. Some still think that a No vote means the setting up of the commission. Members of the Yes campaign are even advertising in the local papers in a bid to clarify the situation.

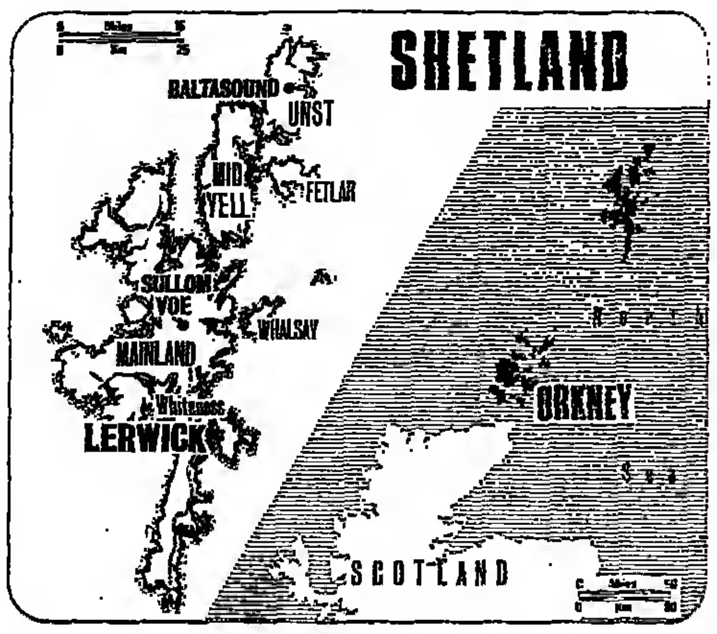
The desire for the commission prompted the setting up of a non-party organisation, the Shetland Movement, whose 400-odd members are determined to formulate policies to safeguard the island's interests.

Their conclusions are basically that Shetland, not Westminster or a Scottish Assembly, can best understand and act upon local issues.

Fear for the future is the main motivating power behind the movement. Oil has transformed Shetland's economy, bringing prosperity—but also disruption to the traditional industries of fishing, fish processing and knitting.

As one man said: "Why should a woman knit for £40 a week when she can make £100 at the oil workers' camp making beds?"

Shetlanders voted against the EEC referendum and believe its legislation has harmed fishing from the islands.



It is these issues that Shetland wants investigated. Mr. James Irvine, Chairman of the Shetland Movement said: "Oil cannot last for ever. When it goes we will have to fall back on the sea and the knitwear industries.

"We want more power for the island to push for policies more suited to its needs. For example, to attract new industry we need subsidised freight charges. The existing charges are prohibitive."

He believes that a Scottish Assembly will not prevent Shetlanders' pursuing this aim.

The Shetland Islands Council itself is a single-tier, all-purpose authority which wrung its special status out of the Government in 1974. It has considerable control over oil developments and a sizeable income from the oil industry.

Protective of this power, the council fears that an urban-dominated Scottish Assembly, bogged down by the problems of unemployment, industry and housing, will not act in Shetland's interests.

Mr. Ernest Urquhart, Shetland council's chief executive, said that the Scottish Assembly could change the rate support system.

"It may decide to cut Shetland's support because we have oil money and pour more rate support into Glasgow and Clydebank.

"But that money we have secured from the oil industry is not for the day-to-day running of the island. It is our long-term insurance policy for regenerating industry here when the oil goes."

Orcadians are not pressing for a Special Commission with the intensity of the Shetlanders. First, they live in a comparatively fertile environment which affords the community, and its owner-occupier farmers, a reasonable living. Second, the impact of oil is much less.

Their attitude to devolution is much more straightforward. They do not want Scotland interfering with their affairs and they want Westminster to devolve more powers to Orkney.

Lurking in many minds is the fear that a Scottish Assembly, with more power, would attack Orkney's independence while an assembly with its existing limited powers could simply produce frustration.

The issue has split the traditional support for Mr. Grimond, who last week gave his tentative backing to the Act.

Mr. Ewin Eunson, convenor of the council, is a life-long Liberal and committed devolutionist. But he will vote No at the referendum.

Mr. Eunson said: "We do need more devolution of power but this Act is half-baked. Callaghan said that if we did not vote now we won't get the chance again. But the problems will not disappear.

"My own solution would be to give more powers to the existing regions and forget about nationalism."

The Yes campaigners tend to be less conservative in their outlook than most of the islanders and many are mainland Scots with greater allegiance to party politics.

Mr. Ian MacInnes, headmaster of Stromness secondary school, was adamant that a Scottish Assembly could debate, and act upon, Scottish issues more efficiently than Westminster.

While deploring a democracy without much power, he believed this could be achieved in the future.

'No' voters warned against frustration

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE LEGISLATIVE assembly proposed in the Scotland Act was the only constitutional settlement now on offer for Scotland and to reject it would be to sow the seeds of future frustration, Mr. Alf Young, research officer of the Labour Party, said last night.

Opinion polls had shown clearly that people in Scotland wanted some form of constitutional change. But to vote No in the referendum on March 1 would only polarise the debate in the years to come.

"There is a middle way. Most Scots want their economic and industrial destiny to be determined as full partners in the United Kingdom.

"At the same time, they want the freedom to shape their own lives, in their own communities, as they see fit.

"The Scottish Assembly on offer is an effective and workable means of reconciling these two sets of aspirations. With its establishment, we can face the future with confidence."

Mr. Douglas Henderson (SNP E. Aberdeenshire) said that the No campaigners had aimed to undermine Scottish self-confidence and, at times, their gibes had verged on racialism.

Mr. James Sutherland, past president of the Law Society of Scotland, speaking for the Scotland Says No campaign, said that the Scotland Act had been rushed through Parliament and would give worse government if it was brought into operation.

This would cause more and more dissatisfaction in Scotland and make it easier to seek the break-up of the United Kingdom.

Mr. Michael Ancram, vice-chairman of the Scottish Conservative Party, said that it was an established lesson of history that radical change could be most easily achieved from disruption and confusion.

'Reneging' MPs denounced

By Robin Reeves, Welsh Correspondent

THE devolution row in the Welsh Labour Party hotted up yesterday when the official Labour-Wales TUC campaign openly accused the six Welsh Labour MPs fighting against the Welsh Assembly of reneging on personal commitments to a Welsh Assembly in the 1974 general election.

In an unprecedented statement spelling out chapter and verse, the official Labour campaign noted that:

● Mr. Fred Evans, MP for Caerphilly, stated in his 1974 election address: "Labour will see that a directly elected Welsh council will have real authority.

● Mr. Leo Abse and Mr. Ifor Davies, MPs for Pontypool and Gower respectively, were members of the Welsh Labour group of MPs which agreed unanimously in November 1973 to support an elected Assembly for Wales with real powers.

BR strikes cost £14m

By John Hunt

THE RECENT train drivers' strikes have already cost British Railways Board £14m, Mr. William Rodgers, Transport Secretary, told the Commons yesterday.

He reported his warning that the Government will not help the railways if they get into financial difficulties, as a result of high wage settlements.

"There is no question of the Government bailing out the railways, if, as a result of industrial disputes and excessive pay claims, they find they can't maintain their services," he declared.

Mr. Rodgers told the House that the lorry drivers' pay deal was likely to cost the road haulage industry an extra 8 per cent on average. He hoped, however, that a large part of this could be absorbed by the haulage firms themselves.

The Secretary of State was asked whether he still stood by his controversial speech, in which he said that the best way of avoiding another damaging dispute was by introducing a fixed incomes policy.

MPs to investigate Inmos 'touting'

TWO SCOTTISH MPs are being asked to make ministerial-level inquiries into the financial planning and methods of the state sponsored National Enterprise Board.

A coalition of Conservative and independent councillors in Scotland's central region have asked Mr. Dennis Canavan (Lab. W. Stirlingshire) and Mr. Nicholas Fairbairn (Con. W. Perthshire) to look into the affairs of Inmos of Bristol, a wholly-owned NEB subsidiary.

Inmos is Britain's entry to the silicon chips business. The Prime Minister has already made clear Labour's microprocessing ambitions and Inmos has £50m NEB backing.

The councillors want to know:

● Why, with £50m behind it, Inmos appears to be "touting" for more public money in the form of straight cash hand-outs from councils, with their own council offering a £1m handout?

● Why council dealings with the state-owned micro-processing company are kept secret?

● Why, to bring to their area one of the four 1,000-jobs factories which Inmos plans, councils throughout the UK are bidding against each other for what are, in fact, state-sponsored jobs?

The case of Inmos came before the central region on February 6, when the Labour-controlled industrial development sub-committee looked at a 58-page questionnaire, drawn up by PA Management Consultants, which outlined the Inmos requirements for production factories.

The committee approved two industrial estate sites which they thought might be suitable, and also approved the offer of a £1m cash grant to the company to set against the cost of establishing itself in the central region. The £1m is on top of all normal regional assistance and development schemes.

Their decision to call in the MPs came after the discovery this week that Inmos is a 100 per cent subsidiary of the NEB.

Conservative councillor Mr. Ian Hogg said "Why is the NEB touting its wares round the country in this way? We pay at one end with our taxes and now we are having to pay at the other."

Power price estimate

BY ROY HODSON

ELECTRICITY price rises may be held to between 8 per cent and 9 per cent in England and Wales during the next year if coal prices are held to an increase of not more than 9 per cent, the Electricity Council predicts.

Contingency plans have been made to burn more coal on the hypothesis that oil prices may rise sharply during the months ahead. Already, the power industry is expecting to use up to 75m tonnes of coal in the year—an increase of 5m tonnes upon 1977-78 and an all-time record coal usage by the electricity industry.

The Central Electricity Generating Board is now using coal to generate 72 per cent of its electricity output. Oil is providing 17 per cent, and nuclear power 10 per cent.

The figures were given yesterday to the all-party Commons select committee on nationalised industries, in evidence by Sir Francis Tombs, chairman of the Electricity Council, and Mr. Fred Bonner, deputy chairman of the CEGB.

An Electricity Council application for an average increase in area board retail electricity prices of 8.6 per cent was submitted last week.

Sir Francis told the select committee that the industry was aiming to achieve a 10 per cent return upon capital during the financial year 1979-80.

But such a return, if the new price levels were granted, would depend on coal prices being held to 9 per cent maximum.

Asked how electricity prices might move during the following year, 1980-81, Sir Francis replied: "I have no knowledge of coal prices for that year. And that will be the dominant factor in our industry."

Mr. Bonner forecast that the British power industry would continue to burn coal up to 1990 at a rate of about 70m tonnes a year but there might be some fluctuations about that figure depending upon the relative prices of coal and oil.

State industry chiefs in pact

BY JOHN LLOYD

THE GOVERNMENT has agreed to consult the chairmen of nationalised industries on future initiatives arising out of its concordat with the TUC, Sir Peter Parker, chairman of British Rail and of the Nationalised Industries Chairmen's Group, said yesterday.

The group had also broadly agreed guidelines on accounting procedures with the Government which, although they do not harmonise their accounting practices, set out overall common objectives. An announcement on the guidelines is expected today.

Sir Peter was appearing with fellow chairmen before the Select Committee on Nationalised Industries.

The agreements had been reached with Mr. Denis Healey, Chancellor, and other Cabinet Ministers last Friday.

The chairmen included Sir Denis Rooke, chairman of British Gas; Sir Derek Ezra, chairman of the National Coal Board; Lord Beswick, chairman of British Aerospace; and Sir Humphrey Browne, chairman of the British Transport Docks Board.

They told the committee that if the Government were to introduce powers of specific Ministerial direction over the nationalised industries, those powers should be carefully circumscribed and subject to Parliamentary check, and that Ministers should be required to compensate for any increased costs incurred as a result of their directive.

The Government's position, however, was that Ministers should merely be enabled to pay compensation.

The chairmen differed on whether specific direction was welcomed.

Sir Denis Rooke said that temptation might increase to load on to the industries social objectives that would be very difficult to cost.

Board members' salaries still caused concern, they said, even after the Government's agreement last July to award the first stage of increases recommended by the Top Salaries Review Body.

There was still no formal mechanism for discussion of board members' salaries, and no indication that the increases would compensate for inflation.

In real terms, the salaries had risen by only 4.5 per cent annually since 1972. "This is a bitter way to treat key people," Sir Peter said.

The group said that appointment of board chairmen should remain the prerogative of the Secretary of State of the sponsoring department.

Appointment of executive board members had been greatly improved. However, more appointments to boards and to chairmanships should be made from within public corporations.

The chairmen agreed that relations between their corporations and the Government had greatly improved in recent years.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AUTOMATION

Robots do tough job on dies

ONE OF the largest users of automated diecasting machines in the world, Doehler-Jarvis of Pottstown, Pa., has 50 Unimate industrial robots operating in its U.S. plants.

The company has only recently used robots in the production of large complex transmission case parts. This stems from the use of 11 Unimates at its Toledo, Ohio, plants, where four additional Unimates are being installed and five more have been ordered.

In die-casting, productivity climbed from an average of 33.3 castings an hour to 38.6, a 16 per cent improvement. But while putting out more castings an hour, the robots also reduce scrap and therefore save energy in remelting.

The robot's function begins with it in a "ready" position waiting for the 2,000-ton diecasting machines to open. If the machine does not open, the robot does not move, but an alarm is sounded. When the machine opens, the robot enters the die and signals the machine to eject the casting. It then grips the casting and places it on a chute to an inspection table. As a safety precaution, the part must touch an electrical limit switch in the chute before it is released by the robot. After removal of the casting, the robot activates the time-controlled water sprays used to cool the casting die.

In its next operation, the robot grasps a spray gun, enters the dies, activates the gun, and lubricates all die surfaces. It sprays in a precise, programmed pattern, reaching all areas of the die, withdraws, and signals the machine controls to close for the next cycle.

At the cycle end, it puts down the gun, returns to the start position, and waits for the machine to open again.

Unimation is at Telford, Salop.

Automated car assembly

ROBOTS with visual guidance that will contribute to greater manufacturing efficiency in car manufacture have been demonstrated by GM Research Laboratories.

Electronic cameras working with them provide vision and can "see" moving parts on a conveyor, so that the robots can pick up the parts and transfer them to the required location.

Also developed is a robot without vision but programmed by a computer to assemble small components like instrument clusters, heater and air conditioning controls, wheel brake cylinders, power seat transmission and others. This is the PUMA system (Programmable Universal Machine for Assembly), which is a combination of robots, transfer devices and parts feeders which work along with employees in an assembly operation.

General Motors, Stag Lane, London NW9 0EH. 01-205 6541.

● AGRICULTURAL

Protects fowl or flora

DUAL-PURPOSE structure which can function as a chicken run for half the year, then serve in the other months as a greenhouse for the cultivation of flowers and vegetables, has been developed by Israel Agricultural Industries, Kfar Givton, near Rehovot, Israel.

Steel frame structure is covered by polyethylene and has an interchangeable roof covering: black inside and painted white on the exterior (to preserve heat) — particularly for when turkeys or chickens are at home. At this time, wood shavings or sand cover the floor.

When the fowl is sent to market, the floor covering can be ploughed under or, alternatively, flowers and vegetables can be grown by hydroponics or aeroponics. For the latter purpose black-roof material is exchanged for a transparent covering.

The company says it is interested in entering into licensing arrangements.

● TRANSPORT

Rapid data from train wheels

HIGH SPEED Miproc-16 processors are to be used by British Rail for a real-time signal processing application concerned with the acquisition of data from the wheels of a high speed railway vehicle. This replaces previous methods which involved the recording of raw data followed by off-line processing.

The wheels of the vehicle are used as the transducers for the measurement of wheel/rail forces, and the Plessey equipment is designed to acquire this data and compensate for the complex calibration characteristics of the transducers by performing continuous scaling corrections as the wheels rotate.

Processed data is fed in analogue form to a suitable chart recorder or other recording apparatus.

The system was commissioned by the British Rail Research and Development Division at Derby which was responsible for all of the basic research and the definition of the signal processing algorithms. Plessey Microsystems has been responsible for the system implementation and the detailed software development.

To optimise interaction between railway wheels and the track whilst ensuring adequate stability of the suspension system up to the maximum operational speed of 130 mph, wheel/rail forces needed to be measured directly. Previously only the indirect measurements of suspension forces and vehicle ride accelerations were available.

Although the lateral and longitudinal force signals are quite pure, the vertical force signal, as provided from the transducer, contains considerable cross-modulation components of lateral and longitudinal signal. These unwanted components are removed by the signal processing algorithm to yield a true reconstructed vertical force signal.

The complete wheel monitoring system was mounted on the test vehicle to provide data during the test run. Instant availability of this data is considered by BR to be a major advance over previous wheel/rail force measuring techniques.

Plessey Microsystems, Water Lane, Towcester, Northants. 0327 50312.

Underground garage has micro drive

RECENTLY INSTALLED in Oldenburg by Fried. Krupp GmbH (43 Essen, Postfach 10) is a mechanical-sorting four-level underground car park in which the positions and movements of the cars are controlled by microprocessors.

Installed in three months, the park accommodates 46 cars in a basement measuring only 28 x 6 x 8 metres high.

There are three entry points at which a car to be parked can arrive. The owner drives the vehicle on to a waiting tray which is then moved vertically by hoists and horizontally into one of the levels of cars.

The computers control a constant sorting program between the lower levels so that when the top level entrances present cars, an empty tray will be available. Vacant trays on lower levels are gradually moved to upper ones.

In the afternoon the program is switched to give priority to cars leaving the garage. Vacant trays are sorted into the lower levels and occupied ones move upwards, helping to reduce the time for retrieving a vehicle.

Driver procedure is simple. Each inserts his parking card into a reader unit at the entry point and "on the green light" drives on to a waiting tray. Vehicle positioning on the tray is checked and signalled. On his way out the driver pulls out his card and the garage door closes behind him.

To retrieve the car the card is again inserted in the reader to activate the program control and bring the vehicle to the appropriate exit point as soon as possible.

● SERVICES

Source of U.S. data

OF THE two U.S. Government publishing services, the output of only one—the National Technical Information Service — has been regularly available from the NTIS U.K. Service Centre, P.O. Box 3, Newman Lane, Alton, Hampshire GU34 2PG (0420 84300).

Now the Centre has announced that it can deal with specific requests for titles published by the other agency, the Government Printing Office, which is roughly the equivalent of the UK's H.M. Stationery Office.

NTIS UK holds a full catalogue and price list of all the current GPO publications and can quote prices of individual items on request. All orders are transmitted on the day of receipt to Washington by telex. A turn-round time of five days is offered, all items being despatched by airmail.

Suppression of noise

FOLLOWING OUR report on January 2 of the entry of the Swedish manufacturer, Hedemore into the UK anti-noise equipment market we have been told by its subsidiary, A Johnson and Company (London) that resulting enquiries were lost as a result of a fire. Enquirers are requested to write again to the company (attention of Mr. Mathews) at John Carpenter House, John Carpenter Street, London EC4Y 0AS.

This equipment has been manufactured by Electroheating of Lombard Road, Merton, London SW19 (01-540 7241) for the brazing of aluminium or copper bottom plates to stainless steel cooking pots and pans. As can be seen here, there are two stations, each with a locating ring and combined work-holding device and ram. Each of the latter has an insulating bead made from TAC Sindanyo CS51 asbestos-cement arc and heat-resisting material. The same material is used also for insulation of the induction coil face and is designed to withstand temperature from 600 to 800 degrees Centigrade and a pressure of 100 psi. When brazing, a prepared pot is placed, bottom up, into a locating ring. An aluminium, copper or sandwich-type plate is then placed on the pot and the assembly lifted against the work coil assembly. Heating commences automatically.

● DATA PROCESSING

Designed to get precise information

SHADE (Computer Services) of Calne, Wiltshire, has a real-time data acquisition system with extremely flexible facilities which permits simple definition of many data collection tasks.

Dataflex is believed by its developers to be one of the most sophisticated systems of its type. It was designed in the UK by Shade and it has at its heart a 64K byte Interdata 16-bit minicomputer with a 10 Megabyte disc subsystem, a display/keyboard and appropriate analogue/digital and channel equipment.

Basic Dataflex equipment is priced in the region of £25,000 including hardware, standing system software and, where required, "customerised" application software.

In this form it supports up to 32 channels of input which may be any mix of analogue or digital; independent channel sampling rates up to 100 samples per second per channel; data files on a channel-by-channel basis which are industry compatible; interactive real time channel control operations; and user-definable interactive dialogue.

Programs are written to give speed and data integrity, rather than economise on core.

Dr. Gil Rooke, Shade (Computer Services), 1, Patford Street, Calne, Wilts. SN11 0EF. 0249-815757).

Scientific targets for group

CAP-CPP, heavily involved in work for scientific military establishments for several years, and closely linked with several universities and research centres, has consolidated these operations in a single entity—CAP Scientific.

Head of the operation is John Ockenden, who spent ten years at Scicon where a somewhat similar organisation was built up.

One of the keys to progress in the new grouping will be its ease of access to the MicroSoft facility built up by CAP at quite considerable cost to simplify the frequently difficult task of converting work for micro-processors from minis or mainframes.

Initial targets are likely to be in applied mathematical work including simulation, as well as in the Ministry of Defence which is seeking support from contractors in the development of distributed computing techniques.

Computer Analysts and Programmers, CAP House, 14 Great James Street, London, WC1. 01-242 0021.

Multi-use terminal

OFFERED BY Teleprinter Equipment, 70, Akeman Street, Tring, Herts. HP23 6AJ (044282 4011) is a printing terminal based on the Diablo printer mechanism and driven by a microprocessor.

Applications will include normal data transmission and reception, preparation of reports and manuals (the type face is similar to that of an electric typewriter) and word processing. With optional pin-feed platens or adjustable form tractors, the machine will also produce up to five carbon copies on any form size between one and 126 lines. Character and line spacing are fully programmable.

● INSTRUMENTS

Sound finds cracks in wings

FOUR man-years have gone into the development by Pantatron Systems of an automatic ultrasonic inspection system to detect fatigue cracking in aircraft wings.

The Theta scanner, successfully developed and passed after vigorous testing by the RAF, allows for inspection of fastener holes on both sides of the wings without removing the fasteners. Using conventional techniques, fasteners have to be removed first which is a time-consuming and expensive task.

The scanner is held in position on the wing by means of vacuum cups and drives a multi-element ultrasonic probe along the row to be inspected, covering an area of approximately 40 cm by 10 cm with each sweep. The probe is optically aligned with respect to the first fastener in any given row by the operator who, then, by means of a few simple commands typed into the controller, initiates the examination of that section of the row.

The probe angles are chosen so that data is separated into flaws found in bore of hole, flaws found in countersink and a coupling check. This data is stored for examination off-line on a "C" scan or plan view display; on-line examination is by conventional "A" scan.

Although initially developed to serve the needs of the RAF, Pantatron's scanner has commercial potential for all forms of aircraft worldwide.

Pantatron Systems, Fern Street, Motherwell. (Motherwell 53411).

● MAINTENANCE

Reduces corrosion

WATER-BASED corrosion protection is a seeming contradiction in terms, but Ardrox has developed it to produce a new temporary corrosion protective solution which gives substantial economies of time and money.

Ardrox 316 emulsifies with water and is considerably cheaper in use than conventional solvent-based dewatering fluids. When used at a 20 per cent concentration, savings of up to 40 per cent on the cost of a solvent-based fluid can be achieved.

It deposits an oily protective film, and the degree of protection afforded may be varied by altering its concentration in water. At a concentration of 10 per cent approximately 500 hours salt spray resistance will be obtained to DEF 1053, rising to about 1,000 hours at a concentration of 30 per cent.

Because parts do not have to be dried before immersion, considerable time savings can also be effected. An additional advantage is that 316 may be added to most soluble cutting oils at 5 per cent of the oil to improve corrosion protection whilst machining is actually taking place.

Ardrox, Furlong Road, Bourne End, Bucks. 06285 24951.

● PROCESSES

Clean water on demand

EASILY expanded reverse osmosis systems of a new design produce high quality pure water without the necessity of neutralisation of waste water from the process. They are for continuous fully automatic operation and require no regeneration and only minimum maintenance.

The manufacturer, Advanced Water Services, claims that the new plants will meet the most critical requirements for industrial, medical and potable use and are suitable for mains water, borehole and brackish water. They are tested and pre-run in the assembly shop before despatch. This ensures that the plants are completely operational prior to despatch to site and installation and commissioning is thus reduced to a minimum.

Advanced Water reverse osmosis plants are available as a standard, in a range of modular units with capacities from 0.1 cubic metre/h to 3.0 cubic metre/h. Purpose-built plants can be engineered for larger volumes up to several hundred cubic metres per day.

Following pre-treatment, the feedwater is pumped under high pressure through the reverse osmosis membrane elements. The water permeates through the membrane walls and purified water is produced for service or storage as required.

Advanced Water Services, Units 18 and 25, St. John's Industrial Estate, Tylers Green, Bucks.

Separating minerals

TWO RESEARCH projects, backed in the first instance by the National Research Development Corporation, have resulted in mineral processing equipment now being manufactured and marketed by Richard Mozley, Woodlane, Falmouth, Cornwall (0326-313260).

The company's new design of one and two inch hydrocyclones comprise a system for the automatic clearing of blockages.

Suggested as a useful tool for mineralogists, metallurgists and mill men for the rapid separation of mineral grains is a laboratory mineral separator. The machine is said to separate mineral grains of close specific gravity and, with a sample of, say, 100 grams, will make the separation within minutes. It shows visually (if necessary) if a tailings stream contains free values, or if a middlings contains either free gangue or mineral values.

THE JOBS COLUMN, APPOINTMENTS and BUSINESS OPPORTUNITIES

So you think you want creative managers

BY MICHAEL DIXON

WHAT we want in this organisation is creative people. Goodness knows how many times that statement has been made to me in the dozen years since I started to write about management.

These days, however, it is uttered considerably less often than it was in the heady 1960s. Which is one of my main reasons for believing that management must be getting better.

It is not that I'm against creativity. In principle I am just as much in favour of it as I was in those distant days when, on hearing the statement, I used automatically to think: What a marvellous company that must be to work for.

But time has taught me a different reaction. On hearing those excited words today, I first think: What do they mean by "creative"? Then I wish I knew of some bookmaker who would lay odds against my correctly predicting the answer.

This is because whenever I have inquired into an organisation of people who pride themselves on being creative, the experience has suggested that what they really mean by the term is "conventionally unconventional." In other words: behaving a bit differently from the managerial stereotype themselves, they want recruits who are different in the same way.

The sense of difference is highly subjective, with the result that one comes across it in some, at least questionably appropriate places. But it is not always expressed by the word "creative." Take for example my experience on entering accountancy as an articled clerk.

The first morning I was sent to join about six other staff on the annual audit of a big company. One of them showed me how to tick off listed valuations of different kinds of stock against the company's record cards. Thereafter, like all of my colleagues, I ticked away silently until the senior in charge laid down his red pen (I think red was the colour that year), and said: "Shall we go to lunch, gentlemen?"

We went off in a body to eat together in the middle-managers' canteen and talk inconclusively of the merits of Manchesters City and United, although one person present seemed to be under the impression that Bolton had a football team. Having eaten, we returned in a body to the audit room where we all quietly tried to do the crosswords in our newspapers until the senior picked up his red pen, when we all followed suit.

The afternoon's behaviour was identical with that of the morning inexcept that this time when he senior laid down his pen, we all put on our sombre overcoats and went home. Tuesday went the same way. So did Wednesday, and so on. I was therefore somewhat startled when, while leaving on the Friday night, one of the younger of my colleagues suddenly said, with uter seriousness: "I expect you think we're all raving mad."

That was scarcely the description I would have chosen. But it is probable that accountants generally prefer to think of their self-perceived difference as madness, which is in their eyes a more wholesome quality than creativeness. Indeed, to the extent that it is sometimes associated with engineers, I imagine that the mere suspicion of creativeness would lead any self-respecting accountant to think seriously of qualifying his report.

Schizophrenia

As it happens, the idea that those two qualities may not be unconnected was voiced at an Industrial Society conference in London the other day by Denis O'Donovan, chief psychologist at the 500,000-employee Post Office.

Questioned by a member of the audience apparently in favour of selection tests to identify creativity in potential managers, Mr. O'Donovan replied that he had once held similar beliefs.

"We tried 'creative-thinking' tests," he said. "But we found that the higher people get in creativity, the nearer they are getting to schizophrenia.

"I mean, the sort of question you test it with is to ask people how many uses they can think of in a certain time for an ordinary household brick. Then you give each person a mark for each different use they can suggest.

"But what do you do about people who produce a vast number, and include some uses for a brick which although they are all too plausible, are downright obscene. Is that creativity? More importantly, if it is, is it the sort of creativity you want in your managers?"

Communications in the United Kingdom are doubtless sounder, if perhaps duller, for the fact that the Post Office decided the answer was no.

It now gives candidates for its 23,000 managerial jobs three relatively sober-minded tests. The first assesses their ability to draw correct inferences from numerical information. The second confronts them with an emotionally-charged passage of prose which has to be taken as true, to test whether their verbal-reasoning powers are enough to draw from it conclusions which are objectively justified.

The third tests their powers of "abstract" reasoning. A typical question consists of a regular lattice of different shapes with a gap in it, and requires candidates to decide which of a choice of other shapes printed alongside logically fills the gap.

To succeed, said Denis O'Donovan, the candidate has to make up a theory about how the lattice is constructed. If the theory fits the facts, one of the choice of shapes will logically fill the gap. If not, the theory must be modified until it does fit the facts. "It's amazing how many minds can't do that," he said.

What's needed

One of the audience, a man concerned with recruiting industrial engineers from UK university courses, agreed. To pass that kind of test one had to use information so as to build up an idea of what problem should and could be solved, he said. But few graduates could do that, even though when given a problem they could readily break it down by analysis. "As a result, they're not much use as designers."

Which suggests, I think, a useful definition of creativity—namely, the ability the Post Office calls abstract reasoning.

This process of inventing a theory which seems to fit the observed facts, then rigorously testing it to find where it is not consistent, then modifying the theory so it fits the facts better, is the process by which the great philosopher Sir Karl Popper claims human scientific knowledge has developed.

It is impossible to prove a theory right by scientific experiment, because it is illogical to think that just because something has always happened before, it will happen again. (It is just as illogical of course to believe, apparently like a lot of managers, that if one goes on doing the same things that have always had bad results in the past, they may suddenly have good results next time.)

What scientists must do therefore, Sir Karl says, is to formulate theories so that they can be tested by experiment to show where they go wrong, and thereafter improve the theories accordingly. In this way human beings can improve both their understanding and their societies by learning from their mistakes, instead of obdurately repeating venerable errors.

"Is that creativity?" Denis O'Donovan would ask. "If it is, is it the sort of creativity you want in your managers?"

The answer to both is surely a resounding yes.

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The Head of Coal Programming and Operations now needs an assistant to help him to plan the future development of the shipping side of the business, and to administer the day-to-day running of the shipping operation. The person we want is a graduate, preferably with an economic/financial background and five to eight years business experience including at least five years in dry bulk-shipping.

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Candidates are invited to write in confidence to Stewart Mitchell, or telephone (24-hour answering service) for a personal history quoting M/127/7.

The P-E Consulting Group Appointments Division
1 Albemarle Street, London W1X 3HF Tel: 01-499 1948

BUSINESS DEVELOPMENT ANALYST

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Tha responsibilities covered by this appointment include overall financial control, personnel performance and training, fleet control and property administration.

The successful candidate will be a qualified business executive, probably between 35 and 45, with energy and proven administrative ability. Candidates earning less than £10,000 p.a. are unlikely to have the right background and experienca for this position.

This position is based in BSM's London Head Office and re-location expenses where applicable will be re-imbursed.

Writa in confidenca, stating briefly how you meet the above requirements, and quoting reference 3751/L, to E. W. Cornford,

Peat, Marwick, Mitchell & Co.,
Management Consultants, Executive Selection Division,
165 Queen Victoria Street, Blackfriars, London. EC4V 3PD

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Texas Instruments is a leading U.S. international electronic instrument and components manufacturer covering a diverse range of applications from consumer durables to seismic exploration – with interests in 14 European countries as well as The Middle East and North Africa.

We seek a Senior Auditor to perform/supervise financial and operational audits in Europe and the Mediterranean area. Key responsibilities will be to audit records, systems, procedures and controls to ensure compliance with good financial practice and company policies. As a senior auditor, the successful candidate will be communicating findings and recommendations to top management and must have excellent oral and written communications in English. Although based in Nice, France, the successful candidate will spend about ⅔rds of the time on international travel.

Candidates must be qualified professionally or by degree, with either three years in public auditing or five years in industry as an accountant or internal auditor. A second language is desirable. Experience with U.S. multi-national and/or computer applications would be an advantage.

This appointment has arisen through internal promotion. The company encourages career growth and has the scope and resources to make it happen. Salary will be negotiated to attract the right candidate. Generous fringe benefits apply.

Please write with full details to Ann Stevens, Personnel Department, Texas Instruments Limited, Manton Lane, Bedford.

TEXAS INSTRUMENTS FRANCE

COMMODITY TRADER

Metallgesellschaft, who are Ring-dealing members of the London Metal Exchange, are now seeking an experienced trader to head their Rubber Department, which is an offshoot of the long established Frankfurt based Kautschuk Gesellschaft m.b.h. Applicants in the age range 30-40 should have substantial experience in both physical and futures trading in rubber and/or other soft commodities.

Applications in writing only, providing full curriculum vitae, to:—

The Managing Director,
Metallgesellschaft Limited,
19-21 Great Tower Street,
LONDON EC3R 5AQ.

Jonathan Wren · Banking Appointments

The personnel consultancy dealing exclusively with the banking profession

ACCOUNTS/AUDIT MANAGER c. £10,000

Our client, a major North American banking and financial institution, has a vacancy at its London Office for a Manager, Accounting Controls Department.

The department is responsible for monitoring the controls and systems operated within other departments, liaising with other departments in devising new systems, and monitoring the accuracy of work produced. The Manager will be responsible for planning and organizing the department's work, and expanding its coverage into a full audit team.

To fill the appointment we seek a person aged in his or her 30s, with extensive banking experience in computerized accounting and audit. The position carries an excellent salary, and a comprehensive range of fringe benefits applies.

Please contact:
NORMA GIVEN (Director)

EXPORT FINANCE c. £5,000

A leading merchant bank in the City has a vacancy for an Assistant Contract Negotiator within its Export Finance area. Candidates should be experienced in administration and documentation of international export loans, including E.C.G.D. procedures and contracts: this knowledge may have been gained in a bank, confirming house, or manufacturer. Age ideally 25–30; good salary and fringe benefits.

Please contact:
PETER LATHAM

CREDIT ANALYST c. £7,000

A broadly-based international merchant bank seeks an experienced analyst to augment its highly professional lending team. The successful applicant should have formal training in the analysis of a wide range of loan applications, including multi-national and sovereign risks. Prospects are very good, due to the bank's policy of promotion from within.

Please contact:
RICHARD MEREDITH

First floor - entrance New Street
170 Bishopsgate London EC2M 4LX 01-623 1266

Director
National Tax Office

Thomson McLintock & Co is establishing a national tax office to provide a specialist advisory service to monitor tax developments, disseminate news and views and provide opinions on specific tax issues. The director will be responsible for developing the policy of the new organisation, setting it up and piloting its future growth.

Age and professional discipline are secondary to outstanding technical ability, a substantial record of achievement, a talent for creative thinking and the ability to represent the firm in the whole field of tax.

Remuneration is not a limiting factor and will reflect the seniority and exacting nature of the appointment. Partnership is open to a chartered accountant, equivalent status to any other discipline. Location: City of London.

Please write in confidence to the Partnership Secretary, J I H Owen.

Alternatively, candidates may prefer to write to the firm's advisory consultant, who will not transmit any information to the firm without the consent of the applicant. The consultant is P G Richardson, The Faculties Partnership Limited 177 Vauxhall Bridge Road London SW1V 1ER.

Thomson McLintock & Co 70 Finsbury Pavement London EC2A 1SX TML

INTERNATIONAL INVESTMENT MANAGEMENT

Crocker Bank has recently formed en Internationel Investment Services Group to service its private clients worldwide. The London headquarters of the Group is seeking to fill several senior positions:

DIRECTOR OF INVESTMENTS

To formulate international investment policy and strategies, to manage portfolios of securities and to participate in the marketing of the services of the Group.

Previous experience in managing international portfolios of bonds and shares is required. The successful candidate will also bring some marketing credentials.

AREA MARKETING REPRESENTATIVES

To develop marketing plans, to participate in selling the services of the Group and to administer client relationships.

A background of selling financial services is required. Middle East or Latin American experience is preferred.

Salary and excellent fringe benefits will be offered commensurate with the qualifications and experience of the candidates.

Applications with curriculum vitae should be sent in confidence to:

CROCKER BANK

Mrs. Helen Thompson
Personnel Officer
Crocker National Bank
34 Great St. Helen's
London EC3A 6EP

AUDIT MANAGER

An opportunity exists for an experienced banking auditor to establish a new role for tha Royal Trust Company of Canada in London. Tha company is the English subsidiary of Canada's leading trust company and provides a wide variety of financial and banking services.

The job will involve the creation of a general auditing role for the company, covering the assessment of potential risk areas, monitoring the setting up of D.P. systems, checking procedures and controls, and undertaking other investigations as needed.

The selected candidata (M or F) must have audit experience with computerised systems, ideally with some operational experience in banking. An accounting or banking qualification will be preferred and it is expected that the appropriate age range will be 30–40 years.

In addition to an attractive salary, there is a comprehensive packaga of benefits. If you are interested, please send a c.v. explaining how you meet the requiremants stated above, or 'phone for an application form to:

The Personnel Menager,
THE ROYAL TRUST COMPANY OF CANADA
Royal Trust House, 54 Jermyn Street, London, SW1 6NQ.
Phone: 01-629 8252

PROCUREMENT MANAGER

£11,000 + car

London S.W.1.

Our client, an international service company in the electro-mechanical field, wishes to appoint a Procurement Manager.
The responsibilities will include: preparing contracts, quotations and negotiating prices; finding sources of materials and dealing with the export of electrical and mechanical materials and equipment.
Candidates, male or female, must have extensive experience of procurement in the electro-mechanical field. An engineering qualification is desirable, but more important is a wide technical background. Salary is negotiable up to £11,000 + car.

Please send a comprehensive career resume, including salary history, quoting ref. 964, to:

W. L. Tait, Touche Ross & Co., Management Consultants,
4 London Wall Buildings, London, EC2M 5UJ. Tel: 01-588 6644.

TAX SPECIALIST?
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Find out more through a totally PRIVATE and INDIVIDUAL meeting (outside) normal hours) with directors of our tax planning division.

To arrange a meeting, without commitment, please write with brief details (which will be held in strict confidence) to:

The Managing Director,
Financial Techniques Limited,
Hillgate House,
Old Bailey,
London EC4M 7HS

FINANCE ASSISTANT
Major Oil Company

Major oil company requires a Finance Assistant in its London headquarters office. Duties would include cash management, cash flow projections, short-term money market dealings and currency exposure analysis and would also involve financial considerations relating to all aspects of the Company's U.K.-based operations.

The successful candidate will probably be a qualified accountant or a graduate with a good knowledge of accounting, with prior experience in a finance/treasury environment, and with potential for further advancement.

Salary would be not less than £7,000 plus London Allowance, at present £548 p.a.

Write for an application form quoting ref: FA/279

Resources

Tavner Resources Advertising & Communications
Greater London House, Hampstead Road,
London NW1 7QR

TREASURY ACCOUNTANT
WEST END

We are the U.K. subsidiary of e U.S. corporation which is a truly international company and e leeder in the manufacture end provision of systems end services.

The position is to assist the treasurer in financial and taxation matters including cash menagement, foreign exchange end liaison with banks. Duties will involve preparation of taxation forecasts and computations, and monthly treasury accounting submissions.

The epplicant is likely to ba a young person with an accounting or degree qualification, and experience in a treasury and taxation environment.

The job offers en attractive salary depending on experience, in addition to generous company benefits. There is an excellent opportunity for career development with the company.

Please write giving details of career to date, or telephone for an application form: The Treasurer,

CONTROL DATA LIMITED
Wells House, Wells Street, London, W.1.
Telephone 01-580 6484 (extension 44)

INTERNATIONAL FUND MANAGER

A leading UK merchant bank seeks to appoint a Fund Manager to join their International team. He/she will be responsible for managing European funds and advising the group and their clients on investments within the E.E.C.
The successful candidate, aged 25/35, will have had a number of years' experience as an analyst or fund manager concerned with European investments in a stockbroking, merchant bank or fund management business. The successful applicant will have a detailed knowledge of markets and research sources, will be bi-lingual in English/French or English/German and will probably have London experience if not a UK national.
A substantial reward is available to the successful candidate and will be appropriate to the experience and qualifications of the individual concerned.

Please write or telephone in confidence to:
Somerset Gibbs
Directorship Appointments limited
17 Devonshire Street, London W1N 1FS
Tel: 01-580 7357

2 Senior appointments with today's energy industry

Chief Administrative Accountant

Staines up to £10,299

North Thames Gas wish to recruit a Chief Administrative Accountant based at their Head Office in Staines, Middx., to be responsible to the Chief Accountant for all matters concerning payroll, payment of accounts and Security together with an administrative service to the Finance Department of this very large and growing organisation.
The successful man or woman will be concerned with planning and executing all matters concerning policy procedures and systems in the above areas. The Department is responsible for paying some 23,000 employees and pensioners and payments to suppliers of over £100m per annum.
A professional qualification would be an advantage but equally important is extensive managerial experience with a proven ability to manage a large work force engaged in a large variety of duties.
Salary within the range £8928–£10,299 plus current self-financing productivity payment. The usual large company benefits apply.
Please send an up to date c.v. or write or telephone for an application form quoting ref: E3531/FT to the Recruitment and Selection Officer, North Thames Gas, North Thames House, 17 51 London Road, Staines, Middlesex. Tel: Staines 61666 ext 3282.

Principal Computer Auditor

London c. £9500

British Gas has a gross cash flow of five billion pounds and employs 100,000 people. Our activities range from exploration through engineering and retail sales to international consultancy, and all the aspects are users of considerable computing power on IBM, ICL, Univac and Burroughs machines. We have an appropriately strong audit function, and as a result of a period of intensive effort, one of the most highly developed computer audit capabilities in the UK.
As Principal Auditor D.P. you will be at the centre of the effort to consolidate and improve computer audit expertise within British Gas. Variety is one of the key aspects of this job, because in addition to a direct involvement in a wide variety of systems, you will co-ordinate the work of national teams. You will be directly involved in the development of new computer audit techniques and areas and be able to contribute to further developments of the substantial Computer Audit Guidelines package. You will also become involved in the various in-house training programmes.
We are looking for a qualified accountant or computer professional with experience of computer audit techniques in a large organisation of professional practice. A working knowledge of audit packages or programming languages will be required and you should be capable of working with the minimum of supervision and directing staff.
In return, you will gain excellent experience in a sophisticated computer audit environment and contribute directly to the development of audit policy as well as gaining entry to a financially strong growth industry in the fuel sector. Other benefits include advantageous pension rights and generous holidays.
Salary within the range £7303–£9507 plus £502 Inner London Weighting plus current self-financing productivity payment.
Please write with full details of age, experience, qualifications, and current salary, quoting reference F 017 FT, to the Personnel Manager (HQ), British Gas, 59 Bryanston Street, London W1A 2AZ.
Closing date for applications 9 March 1979.

BRITISH GAS

Chief Accountant

Transportation *£8750+car*

One of the few liner shipping agencies that is expanding its world wide operations has a vacancy for a Chief Accountant in a major wholly owned subsidiary based in the City of London.

The prime objective of the new Chief Accountant will be to raise the standard of accounting in this company to the high standard of other group companies. Areas of profitable development might well include systems and management information.

Responsibility will be to the Managing Director and the Group Financial Controller – the senior accountant – and it is anticipated that in the future the man or woman appointed to this job will increasingly assist the Financial Controller in the implementation of the Group's expansion plans.

Preference will be given to chartered accountants in their late twenties/early thirties who can offer shipping or transportation experience.

Starting salary £8,750. Car provided.

Please write in confidence for a job description and application form to David Prosser, Executive Selection Division, Southwark Towers, 32 London Bridge Street, London SE1 9SY, quoting MCS/FT

Price Waterhouse Associates

Hotel and Catering Industry Training Board
HEAD OF FINANCE

c. £10,000 + car

The Hotel and Catering Industry Training Board, which provides a comprehensive advisory service to all hotel and catering operations in the commercial sector, invites applications for the post of Head of Finance, based at the Board's Wembley Headquarters.
The successful applicant will be responsible to the Director of the Board for controlling the Board's accounts, for purchasing and for directing the work of the Board's Manpower Information Unit.
He or she will control a staff of approximately 40 people.
Applicants should have a recognised accountancy qualification and be used to working at senior level in a large organisation. The salary will be in the region of £10,000 a year, and a car will be provided. The successful applicant will be required to join the Board's contributory superannuation scheme.
Further details of the post and on application form are available from: the Head of Personnel, Hotel and Catering Industry Training Board, Ramsey House, Central Square, Wembley, Middlesex. Telephone 01-902 8865. Completed applications should be returned by March 5th, 1979, quoting reference HOF 3.

HCITB

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MINSTER EXECUTIVE LIMITED
115 Mount Street, London W1Y 5HD, 01-493 1309/1085.

هكذا من الأصل

Our client is a manufacturing, distribution and retailing group who wish to strengthen their internal systems control team. To achieve this the need has been identified for a

HEAD OF INTERNAL AUDIT (DESIGNATE)

£10,000 + car London

This position will attract candidates currently in this function who will respond to the challenging task of providing management with vital information obtained through systems, the modification and development of which will be a major part of the duties. This position will report to the Group Financial Controller.

To assist in this updating of the function there is also a requirement for a

SENIOR MANAGEMENT AUDITOR

£8,500 + car London

Reporting to the Head of Internal Audit, the successful candidate will be given key tasks in the development of the management reporting systems.

The London Head Office finance team also requires a

GROUP FINANCIAL ANALYST £8,000

Duties will include consolidation of divisional plans into the group plan, proposals and analysis of capital expenditure, control and allocation of cash resources, periodic consolidation of group financial information plus ad hoc analysis as directed by the Group Financial Controller.

The group is embarking on a period of expansion and these positions within the finance function will provide real prospects of rapid promotion within the company.

Applicants should contact Richard Wilson M.A. in complete confidence for further details, quoting ref. F.T.18.

David Clark Associates

4 New Bridge Street, London E.C.4 01 353 1867

Sales Director

International Cosmetics & Fragrance House

c £15,000+ car - London

Only a few cosmetics houses can genuinely claim the description "prestige", implying as it does a real presence in selectively distributive products for the top end of the market. The UK operation of this international house, itself a subsidiary of a major American concern, has developed its business dramatically in recent years. Further expansion, and product, in market share, is now envisaged, and the development of sales strategy, along with the direction of sales and distribution policies to meet such plans, calls for an exceptional Sales Director – and offers an exceptional opportunity. Aged mid-thirties/forty, with a graduate level education and considerable field sales experience, the best candidates will demonstrate broad-ranging qualities. We will be looking for personal skills which will enable you to handle both internal relationships and department stores and other major retail outlets at the very highest level. Such social skills, however, will need to be grafted on to a hard centre, forged in the fire of retail negotiation and exposure to the management process in a profit-conscious f.m.c.g. organisation – probably, but not necessarily, in cosmetics. Most important of all is straightforward management ability — you will be responsible for some four hundred people and have considerable potential for further career development. Please write to Elaine Sunderland quoting reference 917/ES.

Engineering Diplomat with Marketing Skills

Persona grata in Communist China

We haven't included a salary in our heading, because we accept that candidates who meet our particular needs will be good enough to set their own rate, and, as long as they are realistic, the company will still finish in credit! Anyway, they'll probably be earning a five figure salary already. The company, a subsidiary of one of the country's strongest engineering groups, has combined this financial strength with considerable European technical expertise to establish a firm base in its specialist field of materials handling and automated warehousing equipment. It is typical of its unfettered commercial approach that it is now anxious to develop strong links within the People's Republic of China. Above all, we are looking for someone who is immediately acceptable in China – and this must mean both linguistic competence and considerable experience in the country already. Our ideal candidate will combine diplomatic skills – to get to the right people – marketing flair, and the engineering ability to discuss the customer's problems and the solutions the company could offer. Essentially, though, we are looking for a door-opener: thereafter, the company is good enough to stand on its own strengths. Please write to Graham Oliver quoting reference 923/GEGO.

Applications, which may be from male or female candidates, will be treated in complete confidence and should be sent, quoting the appropriate reference and giving full career details, to the consultant concerned.

BROOK STREET EXECUTIVE RESOURCES LIMITED

47 Davies Street, London W1Y 2LN. Telephone 01-499 7382

Young Financial Controller

As an autonomous unit within a very successful international Group our client's record of achievement has been significant; the Company has established a sound profit base on a current turnover approaching £4 million and is geared for considerable future growth.

Norwich circa £8000

The accounting function is already well established and to fill this appointment the Company are looking for a commercially orientated young accountant who is capable of playing an important role in the senior management team. The person appointed will be responsible for all management and financial accounting activities with an emphasis on developing effective financial control systems. We need a person who can interpret the numbers and not just collate them.

The position will appeal to a young qualified accountant probably aged 26/30 who is looking for full financial accountability within an operating unit.

Personal development within the Group will be exciting and a career ambition towards general management or further financial specialism is likely.

The Company is located in Norwich and relocation assistance will be given where appropriate.

Brief but comprehensive details to G.J. Cassell, New Appointments Group, Personnel and Selection Consultants, 305 Chesham House, 150 Regent Street, London W.1. Tel: 01-464 2131.

New Appointments Group
Personnel Consultants
nag

Company Secretary

to c.£8,500 London

Administration can suggest boredom but with us it certainly does not. We are growing and need someone to grow with us. We seek someone who can manage our statutory books and affairs, contracts, pension fund, insurances, etc. You will be supported by a pragmatic Personnel Officer, a competent Secretary/Administrator and be responsible for 5 other admin. staff. The job will entail meetings with external professional advisors and internal liaison at Director level. You will report to the group M.D.

BIS is an international management services company in the fields of data processing, training and market research. Turnover in 1977 was £3.8 million, in 1978 £5 million, and in 1979 will be £7 million.

Salary is negotiable around £8,500, but will not be a bar for the right candidate. Comprehensive benefits are provided.

If you are aged between 30 and 40, have the relevant experience and qualification, preferably CIS, please send your CV to, or telephone Michael Grott.

BIS Ltd
York House, 199 Westminster Bridge Road
London SE1 7UT
Telephone: 01-928 9511

BIS

Administration Manager

Berkshire £8000–£9000 + car

Our client is a highly successful expanding British subsidiary of an American Company which manufactures and markets a wide range of sophisticated business products and supplies. World leadership in this field, a multi-million pound turnover and an excellent growth record creates a unique opportunity to fulfil a key, new senior management role.

Reporting to the Chief Financial Executive the prime responsibilities embrace the professional management, control and development of reliable and effective administrative systems within the company. Other important tasks include special accounting assignments. There will be extensive liaision at all levels within and outside of the Company in an appointment offering excellent scope for personal flair and innovation. Career development prospects are likely to be very good within a dynamic environment.

Candidates aged 28-50 years will ideally hold a recognised accountancy or Business Administration qualification and must be systems and financially orientated. Successful management experience is essential within a sophisticated, competitive manufacturing and marketing organisation. A knowledge of computerised systems is necessary.

An excellent benefits package includes a non-contributory pension scheme and Free Life Assurance. Relocation assistance will be given where necessary.

Contact Bob Thorpe –
Reading (0734) 595666,
PER, Sun Alliance House,
Oxford Road, Reading, Berks.

PER
Professional & Executive Recruitment

Applications are welcome from both men and women.

Head of Finance and Administration

South Coast up to £14,000

This company, now part of a highly successful European group, has built a world-wide reputation for the specialist capital equipment in which it has played a major pioneering role. Increasing demand in world markets has now made urgent the company's development and growth. The Head of Finance and Administration will be a key member of the small executive team charged with these tasks. Reporting to the Managing Director, responsibilities will embrace all aspects of financial and management accounting together with a number of administrative functions; these include buying, stores, shipping and personnel. Substantial purchases of equipment are made world-wide. Candidates, aged 35 to 45, should be professional accountants and occupy a senior financial post, ideally in a capital goods industry. A knowledge of German would be an advantage. Salary will be negotiable up to £14,000 with a car and relocation expenses to the South Coast.

PA Personnel Services

Ref: AA51/6771/FT

Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services

Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

PA

A member of PA International

MERCHANT BANK DIRECTORS

As a result of the next phase in our policy of expansion, opportunities will arise in the near future to join an established and respected authorised City Merchant Bank.

The successful applicants will have a wide experience in lending in the domestic and/or international markets and will be expected to negotiate and process new loans through all the detailed procedures. Ideally they will have obtained a senior position in a Clearing Bank, Merchant Bank or International Bank and will have a sound knowledge of the workings of the City. In addition to technical ability, they will be required to demonstrate that they have a flair for innovation and developing new business.

There is also an opportunity for a qualified Accountant or Solicitor to join the Corporate Finance Department, where in addition to the merger, acquisition, activities he/she will be required to assist in the appraisement of lending.

These are Board appointments and an excellent salary is negotiable together with the usual fringe benefits.

The Managing Director,
(Reference BD),
Gray, Dawes & Company Limited,
40, St. Mary Axe,
London EC3A 8EU.

INBUCON

Manager-Tax Planning

London to £14,000

A major international Group involved in the provision of oil-field services is seeking to increase its financial staff based in London by the addition of a tax specialist.

The appointment requires a detailed knowledge of and involvement in international finance and taxation. The successful candidate will probably be a qualified accountant aged 30-40 with recent exposure to international planning perhaps in a 'number two' position with a multi-national Group, or someone with expertise gained with the Inland Revenue followed by time in industry or commerce involving financial and tax planning at international level. Some travel will be involved.

In addition to the salary there are generous fringe benefits. Prospects internationally for career development within the Group are good. Please write briefly and in confidence quoting reference 3748 to J.G. Battersby.

INBUCON MANAGEMENT CONSULTANTS LIMITED
197 Knightsbridge London SW7 1RN Tel 01-584 6171.

Hoare Govett Ltd

Institutional Sales Executive

Japanese Department

There is a vacancy for a young institutional sales executive to assist in the development of our rapidly growing Japanese business. The Japanese Department is London-based and works in close liaison with our Hong Kong Office.

Applicants should have experience in institutional sales, or in the Far Eastern region, and must be prepared to travel regularly to Japan.

The career prospects are excellent. Salary is negotiable but will be commensurate with ability and experience. Applications, which will be treated in strict confidence, should be sent with curriculum vitae to:

The Secretariat,
Hoare Govett Ltd
1 King Street, LONDON EC2V 8DU.

Foreign Exchange Exposure Manager

Planned growth of the Regional Treasurer's Office which services the diverse operations of American Express Company in Europe, Middle East and Africa has identified the need for a Foreign Exchange Exposure Manager. The successful candidate will be responsible for the development of a centralised Foreign Exposure Management Information System to protect the assets of the Company from currency fluctuations. He/she will be required to develop and implement programmes to identify and measure exposure risks.

It is envisaged that this job will appeal to Qualified Accountants with experience in Foreign Exchange matters, although experience in a Treasury function would be an advantage. The position carries a competitive salary, together with an attractive benefit package, including subsidised mortgage facilities, non-contributory pension plan and free life assurance. Relocation expenses will be paid where appropriate.

Applicants, male or female, should write with full career details to:
Roger Brown, Manager, Central Personnel, American Express Co., Amex House, Edward Street, Brighton BN2 2LP.

AMERICAN EXPRESS

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Tel: Munich 089-554837

WANTED

EXECUTIVE FOR EASTERN EUROPE

Economics graduate, 27, fluent Polish, some Russian, experienced in negotiating contracts with Poland, seeks position with trading company engaged in business with Eastern Europe.

Write Box A6656, Financial Times 10 Cannon Street, EC4P 4BY

INVESTMENT FUND MANAGER

with 10 years' experience in UK and U.S. investment fund management, securities analysis and business development analysis, seeks stimulating appointment.

Please write in confidence to: Box A6658, Financial Times 10 Cannon Street, EC4P 4BY

QS

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Experienced Money Broker	£ negotiable
FX Dealer	to £14,000
ACA's (26-28)	c £7,500

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MIKE POPE
236 0731
30, Queen Street, EC4.

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Tel: 0795-75431

Personnel Consultants
nag

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

The Marketing Scene

EDITED BY MICHAEL THOMPSON-NOEL

NEW PRODUCTS

Top in the shops

BY WINSTON FLETCHER

CENIUS, CLAIMED Thomas Edison, is 1 per cent inspiration and 99 per cent perspiration. New product development, if the speakers at this week's joint IPA Society/Super Marketing Seminar are to be believed, is *not dissimilar*.

Long gone are the days, if they ever existed, when brilliant new products burst forth in monetary flashes of bathtime creativity, followed by joyous whoops of Eureka. An infinite capacity for taking pains is the *name of the game now: stick* by the marketing rulebook and test, test, test.

Each of the three speakers at the seminar detailed the case history of one of Super Marketing's Top 20 best new grocery products of 1978—a hit parade chosen by the votes of Britain's grocery trade buyers. The three award winners in question were: Brown and Polson's Instant Mix Custard, overall victor ludorum; State Express 555 cigarettes, No. 2 in the Super Marketing chart; and Cinzano Rosé, No. 7.

Evidencing the industry that goes into successful NPD, John Gorman, marketing manager of Corn Products, Brown and Polson's parent, told the audience that the *Instant Mix Custard* story began with a comprehensive review of all European desserts, and that this was followed by deeper investigation of the huge UK desserts market, valued at £500m (including canned and frozen products).

Custard was identified as the most promising area for Brown and Polson because of (a) its enormous size — 450m packets per annum, worth £74m in ingredients, bought by 60 per cent of homes weekly, and (b) Brown and Polson's existing franchise in the field. The high awareness and reputation of the Brown and Polson name has been a significant factor in the brand's marketing mix.

The product field thus identified, the rest, according to Gorman, was simply hard graft. £42,000 was spent on researching consumers' satisfaction/dissatisfactions with existing products, testing pack designs, and a test-market in TWW to check that all was in order. The result was an on-target national launch, hurried just marginally forward because by then Brown and Polson was being chased by Unilever's Batchelors Quick Custard (itself in No. 3 spot on Super Marketing's award list).

The only major radical innovation which Gorman specified in Corn Products' operation was the company's perceptive recognition of the crucial and difficult role of the factory in new product development, since NPD *inevitably upsets the existing* order of things. To resolve this problem, Corn Products, having corporately elevated NPD to a high priority in its business plans, selected a popular plant manager, trained him intensively, and promoted him to *manufacturing development* director with responsibility for getting new products produced: It worked.

Likewise, the major radical innovation in Gordon Watson's saga of the success of State Express 555 was in BAT's seemingly unique organisational structure. Watson, BAT's director of UK marketing, revealed that his company, after a worldwide study of alternative marketing structures, had dispensed with the traditional brand/product management role completely.

Instead, BAT's UK marketing operation is run by a triumvirate of department heads responsible for information, communication and planning. They work together in a War Room (fiercely competitive, the cigarette market!), from which emanated the strategy that has taken State Express 555 *from* nothing to the sixth largest selling brand in its market.

Apart from this unlikely but effective organisation, the *launch of State Express 555* once again followed the textbook, with the rare bonus of a promotional budget of £5m. Moreover, this sum appears to have *excluded the swingeing price* cuts with which the brand encouraged both trial and repeat purchase. If you are ever in the happy—though doubtless rather *worrying*—position of having £5m to spend on a new product launch (and with the use of TV proscribed) you too will be able to afford a massive poster campaign, plus cinema, plus seven-page trade ads, plus 13½m 5p-off coupons, in-store displays, personality girls, caravans, hot air balloons and sponsorship, though mixed with this cornucopia of promotional goodies you will still, as Mr. Watson modestly admitted, need a healthy measure of luck if you are to succeed.

Muscle alone, in other words—even in the War Room—is not sufficient to guarantee victory on the new product battlefield (that would hardly be astonishing news at Sandhurst). Nevertheless, an impartial listener to Messrs. Gorman and Watson *might well have been forgiven* for concluding that in the rough, tough world of grocery marketing, power lies, to an even greater degree, with the big battalions; a conclusion only slightly tempered by the seminar's third case study, *Cinzano Rosé*.

Though backed by the resources of its parent in Turin, Cinzano UK is, by comparison with BAT and Corn Products, a relatively small operation and, though growing rapidly, the vermouth market is by alcoholic *drinks standards itself quite* small — now approximately as big as sherry at £140m per annum but involving only 5 per cent of adults purchasing regularly, with a peak of 11.5 per cent pre-Christmas.

Christopher Gibbs, Cinzano's *UK advertising and marketing* manager, was therefore unable to reveal any exciting departures in organisational philosophy: most of the marketing jobs, he admitted, he does himself. Nor did Cinzano Rosé enjoy the benefit of expensive pack, product, and advertising area tests.

On the other hand, the brand had been successfully "test marketed" since 1976 in both Germany and Italy, and since 1977 in the Benelux; so that by 1978 the Turin company could reasonably risk its product being acceptable to the British.

Finally, perhaps the most profound question raised by the seminar was why so many successful new products, 18 out of the Super Marketing Top 20, *carry existing and established* brand names. It is, fundamentally, a paeon of praise to the branding system. After all the perspiration, and the catalytic *inspiration*, the use of a reputable brand name directly reduces the cost of new product introductions, and that is a benefit both in the consumer and the *economy* as a whole.

Winston Fletcher is managing director of Fletcher Shelton Delaney.

The brothers Saatchi: Charles, left, and Maurice

Further growth for Saatchi

BY NOW, SHAREHOLDERS in the Saatchi and Saatchi Company will have received the annual report, detailing the year to last September 30. Thanks to a £17m increase in turnover, to *£59.1m*, and continued improvement in margins, from 2.93 per cent to 3.17 per cent, the company raised its pre-tax profits by 50 per cent to £1.874m and its earnings per share to 16.95p (11.3p). No wonder the shares have been bubbling of late, *writes Michael Thompson-Noel*.

At the heart of the report is a remarkably limp discussion of the role of advertising in the *economy, by far the best parts* of which are quotations borrowed from 1916, 1925 and 1931 respectively. In 1916, Charles Higham wrote: "Only honest thought, as only honest merchandise, can stand the lime-light of organised publicity for any length of time. Advertising . . . accelerates failure when a cause is dishonest, and clarifies and strengthens a cause that is *just*." Come to think of it, it is unlikely anyone could improve upon that.

● On a sourer note, complaints against two Saatchi ads for BL (*British Leyland*) were upheld this week by the Advertising Standards Authority in its monthly case report. One involved the Austin Morris *Princess 2 model*. The other was a direct mail leaflet about the Triumph Dolomite sent by local Leyland dealers to the neighbours of Dolomite owners. The owners were identified by name in each case. The ASA said it deprecated "this clear breach of the Code."

The £7bn. drinks market is seething with opportunities for growth, despite marketing restraints. Report by MICHAEL THOMPSON-NOEL

This abstemious isle

WE ARE NOT, it transpires, a nation of drinkers. Perhaps one day we will bear witness to Time magazine's impertinent prophesy and fall giggling into the North Sea, but on the basis of current evidence it will be for reasons other than an addiction to alcohol.

Although the EEC Commission has taken Britain to court over her high tax rates on table wine, and although an adjustment of UK duty rates between wine and beer seems inevitable—along with Ireland and Denmark we are accused of protecting our domestic brewing industry against rising imports of wine—the EEC wine lake nestling idyllically between the European beef and butter mountains and the milk powder knoll, seems as irrelevant to Britain at present as the yak gap in the Himalayas. (The yak gap is not a mountain pass: it's a shortage of yaks.)

On a litres-per-head basis for 1976, we drink less beer than our EEC partners in Belgium, Denmark, Germany, Ireland and Luxembourg; less wine than anybody but the Irish (the French drink 20 times our 5.6 litres), and less spirits than anyone. Convert the figures into litres of pure alcohol per head, and the British (8.27 litres) and the Dutch (8.05 litres) emerge as Europe's most abstemious drinkers—the field is led by France (17.11 litres), Luxembourg (15.92 litres) and Italy (14.67 litres).

For all that, the British alcoholic drinks market is a £7bn arena in which very large battalions compete. What's more, just about every sector of the drinks market showed substantial growth last year. Although the drinks market had in any case survived the 1974-77 recession in far better shape than the food market, for example, 1978's rate of growth was genuinely impressive, with consumer spending in real terms thought to have improved by 5 per cent for beer, 17 per cent for wine, and 13.5 per cent for spirits.

Indeed, compared with the food market, the drinks market seems to be seething with opportunities for growth and expansion, even though the constraints under which it operates are justifiably considerable.

According to a new report, British Drink Profile, by Martin van Mesdag of Halliday Associates, anyone familiar with growth rates in the food business must observe current rates of growth in the drinks market with downright envy.

All drinks, from coffee and cordials to cognac and cocktails, says Mr. van Mesdag, compete with water; even the water bottlers must compete with the tap. "There is an enormous amount of slack left to be taken up. Consumer expenditure on *food, expressed as a percentage* of all consumer spending, is slowly declining; consumer expenditure on alcohol is rising. And since expenditure on alcohol is more closely linked to real incomes than anything else, that expenditure, and its share of overall consumer spending, will continue to rise in 1979."

According to Mr. van Mesdag, drinks marketeers ought to be far more innovative in their approach. Whereas food manufacturers appear limited to devising new processed and convenience foods with greater added value, grabbing market share from rivals or diversifying into non-food sectors, the drinks manufacturers appear to be faced with *starling* opportunities.

"Nearly all drinks are sold in a ready-to-serve form already. Yet the possibility of increased *convenience must not be dismissed*. Offering combinations of drinks and drink mixes seems worthy of continued exploration, even if the UK market does not *yet offer prospects* for products like bottled cocktails which, through the ingenuity of Heublein, have developed into a very sizeable market in the U.S."

Moreover, drinks companies ought to take a leaf out of the food manufacturer's book when it comes to building into their products added values like *consumer expertise* and achievement in the way the food manufacturers have enabled the housewife to display previously unimagined expertise in serving ever more exotic foods.

"Nowhere is this more obvious than in the case of table wines — long-term, the fastest growing sector of the drinks market. *By international standards*, UK consumption of table wines is tiny. At the same time, the product offering in table wines is broader than in any other beverage. As a result, there is an enormous void in consumers' knowledge of table *wine. There are other examples.* There is an enormous variety of sherries on the UK market. Yet from the evidence I have collected, most people opt for sweet, medium or dry, and then weigh whatever they think they know about a brand against price.

"More knowledge about alternative flavours, ways of serving, suitable drinking occasions and new applications for sherry could promote more interest in the product and focus attention on it during the other 11 (non-Christmas) months of the year."

How about product innovation? "The rate of innovation in the British market is far from spectacular. What is more, many of the successful new *products* of *recent years* are imported products or ones sold under brands owned by foreign companies. A few that come to mind are Campari, *Smirnoff, Pernod*; all three brands of malt liquor and, of course, many of the lager beers sold in Britain. It would seem there is scope for more innovative activity in *brewing and* distilling particularly."

Mr. van Mesdag refers sympathetically to the constraints under which the drinks manu*facturers* operate—the outdated licensing laws, the extremely high rates of excise duty and the restrictions on advertising. But he is of the opinion that alcohol abuse and the need to fight it are marketing problems, and that the skills and insights applied to the building of profitable markets for drinks should also be applied to encouraging moderation in their use.

He is full of praise for the vermouth makers. Among fortified wines, sales of sherry increased 35 per cent between 1973 and 1977, those of port fell 4 per cent, and sales of vermouth rose by 63 per cent. "The success of vermouth relative to sherry and port must be due, to a large extent, to three factors: more advertising *for vermouth* (as a percentage of sales volume); successful attempts to make vermouth an any-time drink, and the apparent astuteness of vermouth marketeers in developing products to suit market needs."

On the other hand, he says, the marketing effort put behind other wines and spirits is too often bunched foolishly into the last months of the year. "I believe in fishing where the fish are more than in fishing where the other fishermen are. I would have thought that a more even spread of sales effort throughout the year would lead to more efficiency, lower capital investment in stocks and debtors, and a more even spread of consumer purchases."

He does not share the general view that lager, which has grown from almost nothing in 1962 to one-quarter of all beer volume in 1978, will reach the 35 per cent volume share expected by 1985, nor the 50 per cent share predicted for a decade or so later.

"I consider it improbable that lager will reach even a 33 per cent volume share."

Mr. van Mesdag gives the brewers a hard slap for their continued reticence on the real ale front, even though the Big Six brewers themselves sell 70 per cent of all real ale. He also reckons the brewing industry may be criticised for its "miserable export record, its poor performance in import substitution, its failure to get involved in and develop the £377m pub catering business, for its sluggish innovation rate, and for much else."

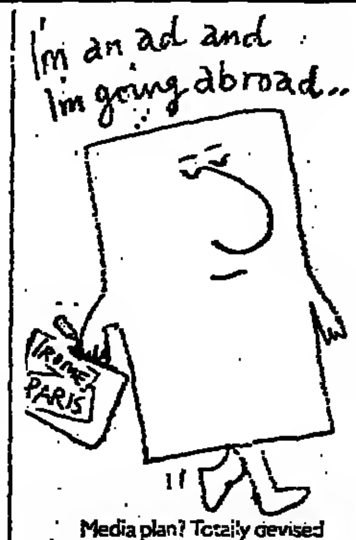
Finally, he scorns the notion that the British drinker is ultra-conservative in his tastes and that new drinks require years to establish a foothold. "The growth of lager, vodka, and vermouth, and the rate of change in the pattern of drinks *retailing*, are all examples of a market dynamism that puts Britain well ahead of countries like Germany, Italy and Belgium. Product life cycles have been shortening, and there is no indication that they will not continue to do so.

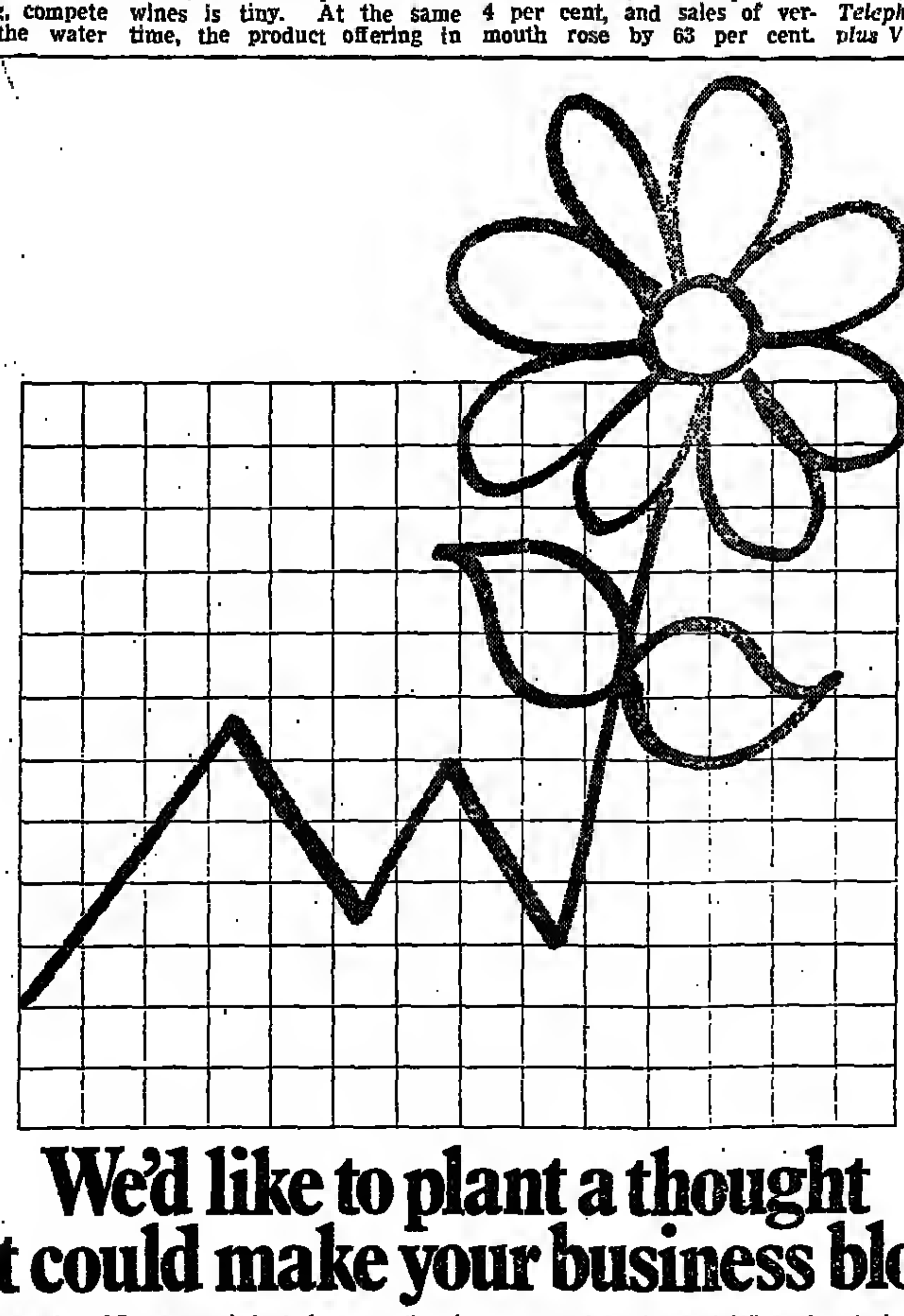
"It seems there is more scope *for* cross-fertilisation between the food manufacturer's skills and the alcoholic drink market's growth potential than is currently being exploited by many of the combines."

British Drink Profile, by Martin van Mesdag. Halliday Associates, Stanway, Essex. Telephone: 0206-330595. £95 plus VAT.

EEC ALCOHOL CONSUMPTION PER HEAD OF POPULATION IN LITRES — 1976

	Beer	Wines	Spirits
Belgium	135	15.7	5.8
Denmark	130	12.6	5.7
France	49	101.3	7.6
Germany	151	23.6	8.6
Ireland	123	4.5	6.0
Italy	14	99.7	6.0
Luxembourg	128	45.3	12.4
Holland	84	11.4	7.6
UK	119	5.6	5.0





LOMBARD

The problems of success

BY PETER RIDDELL

IF THE financial markets really determined the fate of the economy, as the Labour left believes, then the Government should hold an election now since it would have a good chance of sweeping the City. All that would be needed is a poster with Mr. Healey's face on it and the slogan "£8.5bn and 8 to 12 per cent in 1979-80"—mystifying perhaps for the Chancellor's constituents in Leeds but not in Lombard Street.

The turn round in financial markets in the last fortnight has been much more than either many City analysts or the Bank of England can have expected. The result—assuming oversubscription of the two new taps today—is that more than £2bn of funding has been tied up, while the threat of higher mortgage rates has been put off and MLR has been left in lofty isolation at 14 per cent. All this is very gratifying, except for the taxpayer who will be paying until the next century for unnecessarily high interest rates.

High yields

The bullish case is based on the Government's repeated commitment to its monetary and borrowing targets and to keeping sterling stable. Moreover, wage prospects do not look quite as bad as they did a month ago; the rate of growth of average earnings could still be less than the 14½ per cent rise in the last pay round with the 12 month rate of price inflation unlikely to be more than 12 per cent by the year end. All of this makes nominal yields of over 14 per cent too good to miss, especially as the prospect of slow growth could reduce pressure on the demand for credit.

Far be it from me to stop the party but there is an air of exaggerated optimism around at present. Mr. Healey may be the most responsive Chancellor to market pressures in living memory but there are limits even to his magic wand.

A little scepticism, for example, is still in order about Mr. Healey's attempt in the last few days to talk down the level of settlements to below 10 per cent; after allowing for "self-financing productivity" agreements. And it will be necessary to look at the fine print of the eventual local authority manual workers' deal; after all, the first proposed comparability payment will be as soon as August.

Moreover, the current pay round is far from over so it is still too early to assess the relative growth of wages in the public and private sectors. This in turn makes estimating the PSBR all the more difficult and opens the way to all kinds of fudging. It would be possible, for example, to set cash limits at a fairly tight level, below the level of public sector settlements, and this might ensure that the starting base of the PSBR—before budget policy changes—was lower than otherwise, with the implication of a concealed reduction in the volume of spending.

The exact figures are guesswork at present and a tighter squeeze on cash limits might produce less of a public gap to be bridged. The projected level of the PSBR in 1979-80 could still be about £9.5bn to £10bn after these adjustments, which would imply fiscal changes of around £2bn in the budget to get down to the £8½bn ceiling. Even if the precise figures are different there is still likely to be a gap and this is where Mr. Healey's problems with the Cabinet and Parliament begin.

Indeed, almost as important as the overall budget arithmetic is the nature of any changes. In particular there will be a strong political temptation to increase the employers' national insurance surcharge which takes time to work through to jobs and prices. It is also a big revenue producer—a point on the present 3½ per cent surcharge would bring in £600m to £700m. This would be entirely wrong for the health of industry and employment prospects.

Spending cuts

On the other hand, cuts in the volume of public spending cannot be ruled out entirely since Mr. Healey may feel these are less unpopular with the electorate than with the Labour Party. Moreover, even though an increase in excise duties in line with inflation would boost prices by about ¾ per cent, and bring in nearly £500m, the Government may be less reluctant to do this since the 12-month rate could anyway be in double figures by the spring.

The real question is whether either the overall numbers or measures are really plausible. The danger, of course, is that the bills in every sense of the term, will start coming in the second half of the financial year. But that is a problem for after the election, and for the new Chancellor.

A commodity chain that never was

THE FLOODING of the Mississippi River in the spring of 1973 and the subsequent embargo on exports of some commodities imposed by the U.S. government in June and July of that year led to a number of disputes resolved in English courts. They have done wonders in clarifying the meaning and effects of the *force majeure* clause in commodity contracts.

Commodity dealers often form long trading chains. A "contract" starts its passage down this chain when the first shipper buys from a producer. It ends when the last trader in the chain delivers to the consumer. If an event takes place which is outside the control of the dealers and is likely to prevent or delay delivery, a *force majeure* notice passes down the chain from one link to another. Problems arise if the seller who sends a *force majeure* notice to his buyer cannot prove that at the time, he had actually purchased the goods covered by the notice.

Such was the case of Avimex S.A., who in 1972 sold 1,320 metric tons of U.S. soyabean meal to Dewulf and Cie of which 220 tons were to be delivered in April 1973. The non-delivery of this April shipment led to a dispute concerning the application of two clauses, 21—Prohibition and 22—Force Majeure etc., of the Grain and Feed Trade Association Contract Form No. 100. Under both these clauses the seller is required to give immediate notice to the buyers in case of a prohibition of exports, Act of God or other event in the "*force majeure*" category. Subsequently, he must justify the claim for delay or non-fulfilment if required to do so by the buyer.

In late March, April and May 1973 the Mississippi suffered its worst flooding for 20 years. The Upper Mississippi was rendered unnavigable. On July 27, the U.S. Government placed an embargo on the export of several commodities including soyabean meal. Shipments already on lighters taking them to exporting vessels or which were already in the process of loading were exempted from the embargo. It is hardly surprising that these developments led to a steep rise in prices from $338 per ton on May 10, 1973 to $635 on July 10, 1973.

The buyers received a first warning that things might go wrong on April 27 but there was no evidence that the message emanated from the actual seller. A message, invoking the "*force majeure*" clause and stating that the consignment was to be shipped from a Mississippi river port was received only on May 8. On May 16 there followed a telex "We have received from our vendors the following telex: Quote—Due to flooding conditions on Mississippi river our loading is being curtailed and therefore we invoke '*force majeure*' clause as per GAFTA 100—Unquote." On the following day the buyers received another message confirming that the consignment was intended to be shipped from a Mississippi river port. The two last messages, which like the preceding ones were sent through intermediaries, reached the buyers with a delay. But the buyers at no time objected that the notices had been given with undue delay.

In the event, the consignment scheduled for April was never shipped. The dispute came to arbitration and the umpire, deciding that the sellers were in default, awarded damages to the buyers based on the high market price reached on July 10, 1973. It appears that the buyers prevailed with their argument that the "*force majeure*" notices were bad and unsubstantiated (as the seller never proved that he actually bought the goods) but good enough to justify an extension of the delivery date to July 10. The sellers appealed and the Board of Appeal of the Grain and Feed Trade Association confirmed the award. In its turn, the Board was ordered by Mr. Justice Kerr to state its award in the form of a Special Case which has now been decided by a reserved judgment of Mr. Justice Robert Goff.

The first question Mr. Justice Goff was asked to decide was whether the sellers were liable because they failed to ship or appropriate the goods which they promised to supply. The sellers did not produce any evidence that they contracted the purchase of such goods. Indeed, one of their telex messages referred to a different and smaller contract quantity suggesting that the "*force majeure*" notices quoted by the sellers were passing down a chain which may well have had no connection with the present dispute. The judge said that as they were unable to establish that the "*force majeure*" event really caused a delay in shipment, they were unable to rely upon the *force majeure* notices sent to the buyers. They were liable for breach of contract.

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

There was an additional reason why the sellers should be held liable: Their "*force majeure*" notices were late. The sellers argued that the buyers had at no time objected that the notices had been given with undue delay but Mr. Justice Goff said that this was not enough. The buyers did not state clearly that they would not rely on their rights arising from the belatedness of the notice. Further, there was no evidence that the sellers relied on such an alleged waiver, either by doing or omitting to do something. "All the sellers appear to have done" said the Judge "is to have spent some money on telex messages, which is wholly immaterial." He concluded that it would not be fair that they should derive a benefit from that.

The second question submitted to Mr. Justice Goff was whether the sellers were relieved of their obligations by the U.S. embargo on exports. But as they could not prove that the contract goods had not succeeded in passing through the two loopholes in the embargo—namely, that they were neither in the process of loading or on a lighter destined for the vessel—this point, too, was decided in favour of the buyers.

Finally, there was the question of the critical date for the assessment of damages. The sellers argued that the damages should be assessed on the basis of the price reached on May 11, that is after the expiry of ten days' grace running from the end of April. The price was then $340 per ton. The buyers claimed that the correct date for assessment was following the expiry of the two-month extension under the "*force majeure*" clause, when the price was much higher.

The judge decided the question of damages in favour of the sellers for several reasons, of which the main one was that the buyers did not prove that they had suffered damage by relying on delivery and not buying in from elsewhere.

"On the facts of the present case, where a '*force majeure*' notice was passed down by a seller in string to his buyer in string . . . neither party took it as 'settled or correct' that the sellers were entitled to claim '*force majeure*,'" concluded the judge. Both parties appeared simply to have been protecting their position in case they were entitled to claim "*force majeure*."

Queen's Bench Division: Re Arbitration between Avimex S.A. and Dewulf (unreported). See also: Toepfer v. Cremer (1975) 2 Lloyd's Rep. 118; Tradax v. Andre (1976) 1 Lloyd's Rep. 416; Bremer Handelsg. v. Vanden Avenne-Izegem (1978) 2 Lloyd's Rep. 109.

Gaffer looks likely prospect

RACING

BY DOMINIC WIGAN

IT IS UNUSUAL, to say the least, to find a leading trainer talking of a novice chaser in the same terms as such past heroes of the Gold Cup as Mandarin, Mill House, Mont Tremblant and The Dikler.

For this reason, Wincanton should be a course worth visiting this afternoon, since Fulke Walwyn, the handler of those four past Cheltenham heroes, thinks he has a novice already of comparable ability in Gaffer.

This vastly improved Giolla Mear gelding, a half-length runner-up to Kelso Chant in Ascot's Long Walk Hurdle 10 days before Christmas, has since then strung three consecutive victories together. In the process, he had his Piper Cheltenham Gold Cup odds slashed from 50-1 to 6-1.

It is not difficult to see why. Ten days ago at Newbury, the Saxon House chaser proved himself among the best stayers around—and certainly the most promising—with a game victory over the more experienced ex-New Zealand chaser, Royal Mail, in the Compton Chase.

Although it can be argued that that form may not be all it at first appeared, in view of the fact that Devon Mignon, a poor third at Catterick on his previous outing, was well in contention two fences out, Gaffer won convincingly.

I take him to boost further Walwyn's Festival hopes with a clear-cut win over Gay Spartan.

The last-named, a runner-up by one-and-a-half lengths to Modesty Forbids when trying to concede Gifford's chaser 39 lb in Leicester's Holly Handicap on December 18, proved too strong for Jack of Trumps, to whom he was conceding 7 lb in Kempton's King George VI Chase on Boxing Day.

Tony Dickinson has been finding it difficult to find reasonable ground on which to work the Gold Cup favourite. The lack of a recent run may see him just failing to cope with Gaffer.

Half-an-hour before Gaffer takes on Gay Spartan and three others, including the 1976 Gold Cup winner, Royal Frolic, in the Jim Ford Challenge Cup, it will be intriguing to see if Birds Nest can contain those up-and-coming young hurdlers, Decent Fellow, Western Rose, Killwarren and Honogger in the Kingwell Pattern Hurdle.

Birds Nest, who failed by four lengths to give Kybo 5 lb in Kempton's William Hill Christmas Hurdle on the same afternoon as the King George VI Chase, had previously put up an equally creditable performance in giving Connaught Ranger 3 lb and a three-quarter length beating in Cheltenham's Bula Hurdle.

WINCANTON

1.45—Dornle
2.15—Blue Maid*
2.45—Birds Nest***
3.15—Gaffer**

I anticipate a reproduction of his Cheltenham form proving too much for Pinchow's L'Oreal Hurdle conqueror, Western Rose.

There are few more improved mares in training than Blue Maid, and there will be many prepared to bank on John Thorne's charge extending her winning sequence in the Fairyland Handicap over two miles five furlongs.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.41 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Ragtime. 2.00 You and Me. 2.15 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Don and Pete. 4.25 Jackanory. 4.40 The Space Sentinels. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Noah and Nelly.

5.40 News.
5.55 Nationwide (London and South East only).
6.15 Nationwide from Scotland and Wales.
6.40 Tomorrow's World.
7.05 Top of the Pops.
7.35 The Circus World Championships.
8.30 Blankety Blank.
9.00 News.
9.25 The Good Old Days.
10.15 Words Fail me . . . "Omnibus" presents the work of English writer Beryl Bainbridge.
11.15 Tonight.
11.55 Weather/Regional News.

Scotland—9.41-10.03 am For Schools. 5.55-6.15 pm Reporting Scotland. 11.15 Thursday Night. 12.05 am News and Weather for Scotland.

Wales — 5.55-6.15 pm Wales Today. 6.40-7.05 Heddiw. 11.55 News and Weather for Wales.

Northern Ireland — 11.30-11.50 am For Schools (Ulster in Focus). 3.53-3.55 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 11.15 Spotlight. 11.45 News and Weather for Northern Ireland.

England — 5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 Open University.
6.55 When the Boat Comes In.
7.45 Mid-Evening News.
7.55 Newsweek.
†8.30 Midweek Cinema: "The General," staring Buster Keaton.
9.45 Where We Live Now.
10.35 Don't Forget to Write!
11.25 Late News.
11.40 Open Door.

LONDON

9.30 am Schools Programmes. 12.00 Little Blue. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Money-go-Round. 2.25 Danger UXB. 3.20 No Man's Land. 3.50 Oh No, It's Selwyn Froggitt. 4.20 Little House on the Prairie. 5.15 Mr. and Mrs.

5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads.
7.00 The Bionic Woman.
8.00 Robin's Nest.
8.30 TV Eye.
9.00 Streets of San Francisco.
10.00 News.
10.30 Our People.
11.00 The Thursday Film: "Where the Bullets Fly."
12.40 am Close: Peter Henry Jones reads from the writings of Mao Tse-tung.

All IBA Regions as London except at the following times.

ANGLIA

1.25 pm Anglia News. 3.50 Give Us A Clue. 4.20 The Next Week Show. 4.45 The Beachcombers. 5.15 Emmerdale Farm. 6.00 About Anglia. 6.20 Arena. 9.00 The New Avengers. 10.30 Wish You Were Here. 11.00 TV Movie: "Sitting Target" starring Oliver Reed. 12.40 am The Living Word.

ATV

1.20 pm ATV Newsdesk. 3.50 The Electric Theatre Show. 4.20 Jonny Quest. 4.50 Island of Adventure. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 England Their England. 10.30 Format V. 11.00 Cinema Showcase: "A Severed Head" starring Lee Remick and Richard Attenborough.

BORDER

†1.20 pm Border News. 5.15 Laverne and Shirley. 6.00 Lookaround Thursday. 7.00 Emmerdale Farm. 7.30 Mr. and Mrs. 9.00 Richie Brockelman, Private Eye. 10.30 Your MP Special: The Referendum. 11.15 Power Without Glory. 12.10 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 5.15 Stars on Ice. 6.00 Channel News. 6.10 Dynomutt the Dog Wonder. 7.00 The Incredible Hulk. 9.00 Hawaii Five-O. 10.28 Channel Late News. 10.32 Untamed World. 11.00 Movie Premiere: "The Stranger Within." 12.15 am News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 3.50 The Rolf Harris Show. 5.15 Dynomutt the Dog Wonder. 5.40 Help! 6.00 Grampian Today. 7.00 Police Newsroom. 7.05 Emergency. 9.00 S.W.A.T. 10.30 Star Treatment. 11.00 Reflections. 11.05 TV Movie: "The Strange and Deadly Occurrence." 12.25 am Grampian Late Night Headlines.

GRANADA

1.20 pm This Is Your Right. 3.50 Stars on Ice. 4.20 The Life and Times of Grizzly Adams. 5.10 Max the 2,000 Year Old Mouse. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 The Six Million Dollar Man. 10.30 City at Risk. 11.15 What's On. 11.45 Barnaby Jones.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 4.20 Wyatt's Place. 4.45 Bailey's Bird. 5.15 Jobline Newsdesk. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Sports Arena. 7.00 Mork and Mindy. 9.00 S.W.A.T. 10.35 Gallery. 11.05 Richie Brockelman, Private Eye.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20-4.45 Seren Wib. 5.15-5.20 Cartoontime. 6.00-6.15 Y Dydd. 10.35-11.05 Image '79.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-7.00 Report West.

SCOTTISH

1.25 pm News and road and weather. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Garnock Way. 9.00 Twist in the Tale. 10.30 Room Service. 11.00 Afloat. 11.30 Late Call. 11.35 Barnaby Jones.

SOUTHERN

1.20 pm Southern News. 3.50 Rolf Harris. 4.20 The Life and Times of Grizzly Adams. 5.15 Mr. and Mrs.? 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 7.00 Emmerdale Farm. 7.30 University Challenge. 10.30 Southern News Extra. 10.35 Cross-Channel. 11.05 The New Avengers. 12.00 What The Papers Say.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 4.20 Beachcombers. 4.45 The Little House on the Prairie. 6.00 Northern Life. 7.00 Emmerdale Farm. 7.30 Survival. 9.00 Hawaii Five-O. 10.30 Northern Scene. 11.00 Invitation Snooker. 11.35 Side Street. 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 4.15 Ulster News Headlines. 4.20 The Life and Times of Grizzly Adams. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.50 Police Six. 7.00 Emmerdale Farm. 7.30 England, Their England. 10.30 Counterpoint. 11.00 Thursday Night. 11.10 Testimony of Two Men. 11.50 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Stars On Ice. 6.00 Westward Diary. 7.00 The Incredible Hulk. 9.00 Hawaii Five-O. 10.28 Westward Late News. 10.30 Preview West. 11.00 Movie Premiere: "The Stranger Within." 12.15 am Faith for Life. 12.20 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Room Service. 9.00 Vegas. 10.30 Wish You Were Here . . . ? 11.00 Fantasy Island.

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Talkabout. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am: As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Steve Jones (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 Ray Moore (S). 6.45 Sports Desk. 7.02 Country Club (S). 9.02 Folkweave (S). 9.55 Sports Desk. 10.02 The Peter Goodwright Show. 10.30 Star Sound Extra. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Sheila Tracy (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: Andrea and Giovanni Gabrieli (S). 9.45 Musical Landscapes (S). 10.45 In Short (talk). 10.50 Shostakovich: Violin and piano recital (S). 11.30 Bournemouth Sinfonietta, part 1 (S). 12.20 pm Words . . . (talk). 12.25 Bournemouth Sinfonietta, part 2 (S). 1.00 News. 1.05 Manchester Midday Concert (S). 2.00 "Ugo, Conte di Parigi," by Donizetti, Act 1 (S). 3.35 Second Thoughts (talk). 3.45 "Ugo, Conte di Parigi," Act 2. 5.00 Schubert piano recital (S). 5.25 Homeward Bound (S). ‡5.45 News. ‡5.50 Homeward Sound (continued). ‡6.15 At Home: Concert (Mozart, Beethoven, Haydn). 7.15 World Theatre: "Love's Labour's Lost" by Shakespeare (S). 9.30 The Primitive And Its Value In Art. 10.00 Paul Crossley: Liszt piano recital, part 1 (S). 10.50 Interval Reading. 11.00 Recital, part 2. 11.55-12.00 News.

VHF Only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

2.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today: magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek with Desmond Wilcox. 10.00 News. 10.05 Checkpoint. 10.30 Daily Service. 10.45 Morning Story. 11.00 Analysis. 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Just a Minute (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.10 Questions to the Prime Minister. 3.35 Afternoon Theatre. 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Kaleidoscope. 8.00 Live from the Royal Festival Hall, part 1, Beethoven (S). 8.35 Notes For A Life: Bryan Forbes reads from his autobiography. 8.55 Live from the Royal Festival Hall part 2: Schubert (S). 9.54 Today in Synod. 9.59 Weather. 10.00 The World Tonight. 10.30 Any Answers? 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Soul 79. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time. From 1.05—As Radio 2.

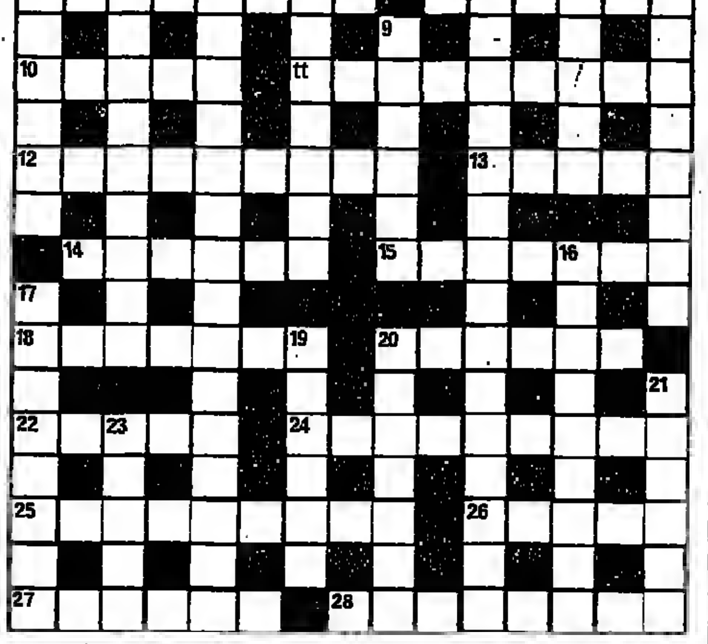
London Broadcasting

5.00 am Morning Music. 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 Lord George-Brown's Capital Commentary (S). 7.10 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,904



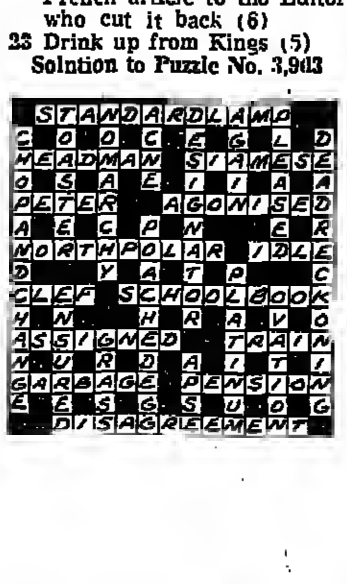
ACROSS

1 Got two ducks to sack couple (3, 1, 4)
5 Sad drawing back by soldier (third class) (6)
10 Bird lifting apparatus (5)
11 Hide hard stuff from Scrooge (9)
12 Warship confidential to the Queen (9)
13 Bar oriental way to work (5)
14 Phlegmatic about having old Bob to cover (6)
15 Right to halt ice breaking up (7)
18 Examiner of those who have passed irregularly (7)
20 Unmitigated by a right to declaim (6)
22 Worth making change in cast (5)
24 Bread and butter work puts cook in a stew (3, 6)
25 Clever individual Pole promises to pay—information within (9)
26 Upright type of foreign capitalist (5)
27 Girl has nothing to keep quiet about foot protection (6)
28 Holy smoke! Danish leader will be mad (8)

DOWN

1 Elbow bending contractor (6)
2 Fighting champion pleased he consumed female we bear (9)
3 Regular blows winning revolutions (10, 5)
4 This month he lost his head over notice as an alternative (7)
6 Follow up lectures with cool drink over Channel (9, 6)
7 Key to wound dressing is sparkle (5)
8 Missile launcher may be in hand (8)
9 Go through pillar to church (6)
16 Rush light mothers to February feast (9)
17 Caustic with southern accountant over article (8)
19 Salesman not upset by public school (6)
20 Trains a scruffy mechanic (7)
21 Public relations took a French article to the Editor who cut it back (6)
23 Drink up from Kings (5)

Solution to Puzzle No. 3,903



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. ENGLISH NATIONAL OPERA.

COVENT GARDEN. THE ROYAL BALLET. THE ROYAL OPERA.

SADLER'S WELLS THEATRE. D'OYLY CARTE in GILBERT AND SULLIVAN.

THEATRES

ADELPHI THEATRE. ALDWYCH. AMBASSADORS. ARTS THEATRE. ASTORIA THEATRE. CAMBRIDGE. COMEDY. CRITERION. DUCHESS. DRURY LANE. DUKE OF YORK'S. FORTUNE. GARRICK. GLOBE THEATRE. GREENWICH THEATRE. HAYMARKET. KING'S HEAD. KINGS ROAD THEATRE. LYRIC THEATRE. MAYFAIR. NATIONAL THEATRE. OLD VIC THEATRE. OPEN SPACE. PALACE. PALLADIUM. PHOENIX. PICCADILLY. PRINCE EDWARD. PRINCE OF WALES. QUEEN'S. RAYMOND REVUEBAR. ROYAL COURT. ROYALTY. SAVOY THEATRE. SHAFTESBURY. STRAND. ST. MARTIN'S. TALK OF THE TOWN. VAUDEVILLE. VICTORIA PALACE. WAREHOUSE. WEMBLEY ARENA. WHITEHALL. WINDMILL THEATRE. WYNDHAM'S. YOUNG VIC.

CINEMAS

ABC 1 & 2, Shaftesbury Ave. CAMDEN PLAZA. CLASSIC. CURZON. LEICESTER SQUARE THEATRE. ODEON. PRINCE CHARLES. SCENE.

ART GALLERIES

THE ARTS

Purcell Room

Ronald Cavaye

by DOMINIC GILL

Ronald Cavaye is a young British pianist (b. 1951) who has been studying for the last three years at the Liszt Academy in Budapest. There is so much excellent new music in Hungary today that it's not surprising that Cavaye has come back with his hands full of new pieces: in his enterprising recital on Tuesday night, framed by Liszt and Bartok, there were also four British premieres of works by living Hungarian composers.

In 1975, after attending the second annual festival of *Korunk Zenéje*—Contemporary Music—in Budapest, I wrote at length on this page about the music of György Kurtág, the father and mentor of the post-war avant garde Hungarian school, and in particular about *Játékok* ("Plays and Games"). *Játékok* are Kurtág's *Mikrokosmos*: a collection of more than 200 tiny piano pieces for two, four and six hands, designed for students of all ages, ranging from the very easy to the very difficult. I heard them then played by young teenage students, who gave a group of 39 in sequence with marvellous technical accomplishment and zest. But the *Játékok* are fun for professional and concert pianists too: there are as many layers of difficulty, as many problems, in each piece as the performer chooses to find.

"Hommage à Chaikovsky" is still at second hearing very funny: a study in palm-smashes and glissandi in B flat minor that recalls vividly, without once actually quoting, the composer's most famous tune. Tha Debussyesque landscape of "Perpetuum mobile," a mesh of swaying, alternating glissandi, is simple, but extremely difficult and extremely satisfying (as Cavaya proved) to do well. There was an exquisite, shyly-hiccupping "Hoquetus"; a winding Dirge; a splendidly spare and luminous homage to Stravinsky (one of the duos in which Cavaye was sensitively joined by Valéria Szervánszky). *Játékok* are due to be published soon by Editio Musica Budapest: it will be a sour teacher who does not introduce his students, at all levels and ages, to them straight away.

Cavaye also gave us Kurtág's *Eight Piano Pieces* op. 3, a beautiful collection of steel-sprung, delicately poised miniatures; a cleanly, cleverly written short sonata by Pál Kadosa; and by contrast another piece, by a founder-member of Budapest's New Music Studio, László Vidovszky (b. 1944), which I also noticed in 1975—*The Deoth of Schroeder*, a brilliant tour de force solo piano and three assistants, half-humorous, half-serious (the title refers to the famous friend of Charlie Brown). *Schroeder* is a fast irregular scale up and down the whole length of the keyboard, blocked off gradually from inside the instrument, note by note, at first merely distorted, but finally muted altogether: the ultimate piece for prepared piano, prepared into silence. Banal to describe: but magical and most memorable in musical effect.

Covent Garden

Romeo and Juliet

We were at Covent Garden on Tuesday night to welcome the American conductor Patrick Flynn as a guest. Ballet, as Opera House habitués are all too well aware, takes a dismally second place in the musical order of things in Bow Street. This used not to be so in the great days of Constant Lambert; latterly the return of Robert Irving brought an improvement in alertness of playing, and I recall with pleasure the ardent commitment of Yury Ahronovich to the *Romeo* score, even though he seemed to be conducting for the Lavrovsky version.

The idea that ballet music can do with the crumbs of the rich opera-man's table is a post-war heresy. In Diaghilev's day the finest cooductors were engaged, and the roster of musicians who directed for the Ballet Russe is as distinguished as the company's list of designers and composers. More recently, for Markova's New York appearances as Juliet in Antony Tudor's *Romeo*, Beecham was invited to direct the Delius score in 1942; and as I have had occasion to report, the real hero of the Bolshoy *Swan Lake* is the Bolshoy's orchestra, which plays with a love and dedication to Chaikovsky unknown elsewhere in the West—they order these things properly in Russia.

On Tuesday Mr. Flynn urged a far more convincing performance from the orchestra than I have heard of late. Rhythms were surely marked, albeit certain tempi were erratic, but a richness of sonority reflected Mr. Flynn's concern with Prokofiev as composer and not as a purveyor of a sound-track for dancing. It was good to hear the orchestral balance adjusted so that we might hear the mandolines at the end of the front-cloth scene before the Act I ball, and also the piano chords which add so much to the texture of the score after Tybalt's death.

The performance was led by Merle Park and Wayne Eagling. Park's light, delicate lyricism as Juliet, the strong physical drive of Eagling's Romeo, make for an attractive if not very profound view of the lovers. Elsewhere company support was sure, with Michael Coleman very touching in Mercutio's death scene.

CLEMENT CRISP

Wayne Eagling and Merle Park — Leonard Burt

Festival Hall

Brahms

The young American James Conlon returned to the Festival Hall on Tuesday to direct an all-Brahms programme with the London Philharmonic, again substituting for the ill-stricken Rostropovich. From the first work, the Tragic Overture, Mr. Conlon's expansive stick technique and salubrious energy produced a rich sound from the orchestra. He maintained excellent rapport with the violins, obtained a less well defined bass line and allowed some wind chords to go their own way. The result was characteristic of a good British orchestra trying to sound authentically German in Brahms; to thick, too many of the enlivening inner voices obscured.

Mr. Conlon's approach was, however, quite suitable for the mature Tragic Overture. It was far less apt in the First Piano Concerto, which the soloist, Rudolf Serkin, treated with his uniquely Hoffmanesque blend of nervous fantasy and passion. Solo passages in the first and second movements demonstrated that Serkin was aiming for a lyric and flexible concept of the concerto, articulated through a bright, etched piano sound.

Mr. Conlon and the orchestra offered cohesive tempi, even phrasing and a rather stolid tonal background. Interpretations almost met in the bucolic finale, when the strings caught the Weber-ish mood of Serkin's initial solo, but the performance as a whole left an unsettled impression. Serkin, cannot, at this stage of his career, be an easy pianist to accompany. Mr. Conlon's earnest attempt at a stable framework is not the best solution.

The concert ended with a similarly vigorous, plushly upholstered performance of the Fourth Symphony.

RICHARD JOSEPH

A scene from "The Long Voyage Home" — Leonard Burt

Cottesloe

The Long Voyage Home

by B. A. YOUNG

The Long Voyage Home is a programme of four early one-act pieces by Eugene O'Neill, inclnding the play of that title. The rest are *The Moon of the Caribbees*, *In the Zone* and *Bound East for Cardiff*. *Bound East* is the earliest of them; the rest were all written two years later in the winter of 1916-17.

They all take place about the steamship Glencairn, which was modelled on the 2,800-ton British freighter Ikala, on which O'Neill served on a voyage from Buenos Aires to New York. The crew are mostly modelled from men he served with, or from men he met in Buenos Aires. The same lot, judiciously selected, appear in all the plays.

They are a bunch of stereotypes carefully drawn to contrast with one another. Driscoll is basic Irish; O'Neill being Irish, he perhaps comes out most convincingly of the crew. Yank is an American, of course; Cocky is a Cockney; Smitty, alias "the Duke," is an English gentleman on the run from an unhappy love-affair; Olson is a Swede; Ivan is a Russian. And so on. None of them is portrayed in any depth; they are chessmen with whom O'Neill plays his games.

What makes the plays memorable, insofar as they can be called memorable, is neither character nor plot; it is atmosphere, and no doubt this is what led to their favourable reception by literary men like George Jean Nathan and H. L. Mencken. They breathe authenticity in their detail, in a way that was uncommon in the theatre of that time. They do not go in for plots much. *In the Zone* has one—Smitty, seen locking something up and hiding it, is suspected of being a German spy as the *Glencairn* enters the war zone with a cargo of ammunition. His bomb proves to be a packet of pathetic love-letters.

The Moon of the Caribbees is played on the ship's deck, lying off some West Indian island with a great full moon swaying idly in the wind. (Smashing sets by Hayden Griffin.) Some black bumboat-women come aboard, smuggling rum and offering sex. There are fights and drunkenness and regrets; someone gets knifed and the women are sent ashore by the mate. In *Bound East* we go into the fo'c'stle, where Yank is dying as the result of a fall into the hold. He expresses his wish that he could have exchanged the sea for a farm, with cows and pigs and chickens; but he dies with the vision of a pretty lady in his eyes.

The Long Voyage Home takes place in a British bar; the programme says during the Great War, though O'Neill didn't, and there's no sign of it, unless you count the picture of King George V on the wall. Olsen is determined to give up the sea and go home to his family in Stockholm; but a "crimp," a man who hijacks sailors, drugs his soft drink and he is taken off to sail on the hell-ship *Amindra*, bound round the Horn. (The *Amindra* is O'Neill's recollection of the *Timandra*, on which he once loaded hides.)

Bill Bryden's direction is faithful to O'Neill's ideas, and the company go through their cameo parts well. Niall Tobin's Driscoll, Jack Shepherd's Smitty, *Bill Owen's Cocky are all that* the author could have hoped for; I would have included Mark McManus's Olson as well, but if he has a mother aged 82, Olson must have been born when she was about 50.

The plays are prentice work, but they deserve to be taken down from the shelf, if only so that we may wonder at O'Neill's remarkable ability for reproducing dialects. Museum pieces really; but I'm glad to have had the chance to inspect them.

Old Vic

Richard III

by MICHAEL COVENEY

The Young Vic is occupying the Old Vic until the end of March with its "Action Man" trilogy. *Richard III* opened on Tuesday night and is to be joined in repertory by *Hamlet* and *The Tempest*. All three productions are similar to those previously done by Michael Bogdanov at the Leicester Phoenix over two years ago and suffer from the fallacious supposition that, in modernising the Elizabethan notions of power struggle in terms of contemporary boardroom visual imagery, you render the plays "relevant" for young audiences.

Shakespeare's Richard is not a businessman, but a cut-throat military opportunist, as well as a melodramatic Machiavel who compensates for the psychological handicap of physical disability by reaching bloodily for the crown of England. Apart from being a gloriously theatrical campaigner, he also serves, as Tillyard pointed out, to offset the crucial function of Richmond as a spokesman for Elizabethan relief at the re-establishment of a secure monarchy. To ignore all this, as does Mr. Bogdanov, is to distort the tragedy.

Although it lumbers on for nearly three and a-half hours, this is far from a complete text. The structure of the masterly first act is ruined by prefacing Richard's opening soliloquy with a fatuous historical introduction in deathless prose. This must surely out-Cibber Cibber, whose 1700 version survived for years with the prelude of Henry VI's murder. The Duchess of York is gone, and with her the beautiful antiphonal lament of the bereaved royals in Act IV, Scene 4. Before Bosworth, the Ghosts speak only to Richard, not to Richmond. The battle scenes are not really attempted, and we are even cheated of Richard's cry for a horse!

We are left with a Billy Bunter hero in the shape of Bill Wallis, an actor simply incapable of grand gestures of malicious glee, let alone speed of thought or rhetorical trickery. The verse-speaking is atrocious throughout and the policy adopted on cutting seems merely to be dictated by short-term convenience and availability of the personnel on stage at any one time. Directorial energy has been concentrated on such puny effects as the shooting of Rivers and Grey as they descend from sight (without Vaughan) and the slitting of Hastings' throat. Bits of *The Messiah* burst forth every now and then, and Richmond severs a boar's head in the final scene to the accompaniment of the "Hallelujah" chorus.

For so exciting a play, the production is unforgivably boring. It ducks any effort to suggest that Richard was a dissembler of some real talent, failing to discriminate, in terms of staging, between the marvellous set-pieces by Henry's coffin, Baynard Castle, and so on. The best performance is by a child, Andrew Vickers, as the "little prating York."

Elizabeth Hall

Jean Mouillère

by NICHOLAS KENYON

The violinist winner of the 1978 Prix Georges Enesco appeared at the Elizabeth Hall on Tuesday in a programme of violin sonatas by Beethoven, Fauré and Schumann. The more powerful sections of the Schumann suited him admirably — in the Appassionato first movement of the A minor Sonata he was able to project his hard-grained, solidly expressive playing with considerable passion. The Allegretto had an affecting simplicity, yet there was always a suspicion that the notes were not placed with enough precision to give the music the balance and control it needs.

A similar concern for the grand gesture in place of the carefully thought-out phrase had dominated Fauré's lovely First Sonata at the start of the recital. The Scherzo was allowed to race away like a Kreisler encore, without any restraint, and the poise of the lilting finale melody was lost in an effort to maintain tension by pressing on across the bar lines. The opening Allegro molto made a fine, large-scale effect, but more detailed attention to Fauré's subtle dynamic shading would have increased the impact.

In all this Mouillère was aided and abetted by Jean Hubeau, a distinguished performer and teacher, his wash of piano sound matched the approximate fervour of the violinist, and he stalled well when Mouillère lost himself briefly in the first movement of the Schumann.

Record Review

Operatic fairy-tales

by ELIZABETH FORBES

Humperdinck Hänsel und Gretel. Popp, Fassbaender, Hamari, Schlemm, Berry/VPO, Vienna Boys' Choir/Solti. Decca D131D, £8.95.

Humperdinck Hänsel und Gretel. Schwarzkopf, Grümmer, Von Ilosvay, Schürhof, Metternich/Philharmonia, Loughton and Bancroft School Choirs/Karajan. EMI SLS 5145, £5.70

Puccini Turandot. Caballé, Freni, Carreras, Sénéchal, Sardinero, Plishka/Strasbourg PO, Opéra du Rhin Chorus/Lombard. EMI SLS 5135, £13.10

Recorded performances of *Hänsel und Gretel* have certain advantages over live, theatrical presentations of Humperdinck's fairy-tale opera: notorious difficulties of balance caused by the lush orchestration can be discreetly overcome by the engineers, while any incongruity produced by adult singers in the children's roles disappears almost entirely when a vocal interpretation alone is in question. These advantages are vividly illustrated in the two sets listed above, one recorded last year, the other first issued in 1953 and now available again, the mono tapes reprocessed into very acceptable stereo. Both albums, let it be said at once, give the listener—at least they give me—enormous pleasure, though their merits are rather different.

For sheer splendour of sound the Decca set, with its benefit of a quarter of a century's improvement in recording techniques naturally takes the prize. In the orchestral episodes, the Overture, the Witches' Ride and, especially, the Dream Pantomime of Angels, the golden richness of the Vienna Philharmonic is marvellously reproduced. But the Philharmonia of the early '50s was also a very fine orchestra, and its lighter, more silvery tonal quality comes over beautifully on the reissued EMI discs. The conductors' approach matches the characteristics of their respective orchestras, with Georg Solti on Decca opting for a full-blooded performance incorporating moments of great delicacy, while Herbert von Karajan offers a reading of exquisite refinement with carefully architected climaxes.

Both pairs of children are delightful. Brigitte Fassbaender and Lucia Popp on Decca present normal, mischievous kids whose enthusiasm in the first-scene dancing lesson and the discovery of the ginger-bread house is highly infectious; they also handle the sudden terrors of the forest at night very naturally. Fassbaender, whom I heard sing the part at Munich in 1965, has long been my ideal Hänsel; her voice is heavier now and darker in colour but, as Richard Strauss, who conducted the first performances of the opera at Weimar wrote of his future wife, Pauline de Ahna, she "excels by virtue of her exuberant high spirits." Popp makes Gretel a practical little girl whose common sense is shot through with imagination, as in her evocation of the angelic dream.

On the older set the voices of Elisabeth Grümmer, a soprano Hänsel, and Elisabeth Schwarzkopf blend superbly; their joint singing of the evening prayer is quite ravishing. If Grümmer, in accordance with Karajan's conception of the work as a whole, is less boisterous than Fassbaender, she nevertheless sings with a convincingly boyish swagger, while the unexaggerated purity of her enunciation is a constant joy. Schwarzkopf, despite a few instances of archness, also sounds credibly youthful as Gretel; her little song at the beginning of Act 2, "Ein Männlein steht im Walde," is crooned gently to herself with the illusion of absolute spontaneity. But she suggests a child dressed up in starched white petticoats rather than a poor broom-maker's daughter.

Julia Hamari as Gertrud and Walter Berry as Peter make excellent parents for Decca; Maria von Ilosvay and Josef Metternich on EMI are even better, Metternich, in particular, gives an outstanding performance his drunken good-humour vigorously sketched in, his story of the Witch who lives in the forest graphically sung. On the other hand Anny Schlemm's Witch (Decca) is both more frightening and more eccentric than Else Schürhoff's Rosina Leckermaul, while beside the opulent casting of Norma Burrowes as the Sandman and Edita Gruberova as the Dew Fairy, Anny Felbermeyer, who sings both roles on the EMI set, pales into insignificance. So no clear-cut preference emerges: price apart, it depends whether you like your Humperdinck à la Solti or à la Karajan.

EMI's new *Turandot*—a fairy-tale strictly for adults—has a number of assets and virtues to offer. There is, in Mirella Freni, one of the finest Liù's on disc; she sings with an expressiveness always contained in the beautifully even vocal line, and with a dignity that makes her death scene all the more moving. There is a Calaf, José Carreras, whose liquid tone and elegant phrasing remind one of Jussi Björling—I know no higher praise for a lyric tenor—and who shapes "Nessun dorma" with rare delicacy. There is a noble-sounding Timur in Paul Plishka and an Emperor Altoum, Michel Sénéchal, of natural authority. There is an excellent trio of masks, led by Vicente Sardinero's intelligent Ping.

There is also a Turandot who really communicates, in "In questa reggia," her outrage at the death inflicted on her ancestress, and who conveys, in "Del primo pianto," the paradox that in defeat may lie victory. But Montserrat Caballé, though she manages the notes without audible strain, does not give the Riddle scene temperamental plausibility. If Turandot is later to surrender convincingly to Calaf's kiss, she must present at least a façade of ice to oppose his warm-hearted optimism at their first encounter. Better diction and fiercer attack would help Caballé overcome the psychological problem. So would stronger support from the conductor, orchestra and chorus. Alain Lombard and his forces from the Opéra du Rhin, Strasbourg, give a good routine performance; with any Puccini opera but especially with *Turandot*, that is not quite sufficient.

Glen Tetley's full-length work for Ballet Rambert

Glen Tetley is to create a full-length work for Ballet Rambert, to be based on Shakespeare's *The Tempest*.

It will bring together three collaborators with whom Mr. Tetley has worked previously: Norwegian composer, Arne Nordheim who composed the score for *Greening*; designer, Nadine Baylis, whose long association with Mr. Tetley began in 1967, and lighting designer John B. Read, who has lit many of Mr. Tetley's ballets.

Christopher Bruce, associate director of Ballet Rambert, will perform the role of Prospero in *The Tempest*, which has been commissioned by the Schwetzinger Festival, Germany, and will be given its world premier in the Rokokotheatre, Schwetzingen on May 3.

The ballet will be given its first British performance at Sadler's Wells Theatre, London on July 3 at a gala premier organised by Tootal Ltd. in aid of the Textile Benevolent Association.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000
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Comparability run wild

THE PRIME MINISTER was reported to be considerably hurt ten days ago when he made a speech which was supposed to promise tough resistance to public sector wage claims, but which was widely interpreted as a climb-down. He even made a most unusual statement of clarification in the House of Commons to emphasise his determination. It now appears that however much the Cabinet may have steeled itself for a day or so to let the sewage run in the streets if necessary, the original interpretation was the right one. The deal now offered to local authority workers is indeed a climb-down.

Disguise

The offer was supposed to be limited to nine per cent. plus anything which could be agreed by way of self-financing efficiency payments—which are in any case usually a disguise for a supplement. Instead the offer is nine per cent. plus £1 on account (a further 2½ per cent) plus consolidation of a past £5 supplement for overtime purposes, which means that overtime pay will rise by something like 20 per cent. In addition the comparability review is supposed to produce extra money (less the £1) by August, and still more by the following April —hardly the long term so far as the ratepayer is concerned. Self-financing efficiency is apparently forgotten, though some fig-leaf of the kind may be produced later.

The point about this offer is not that it will produce excessive pay—indeed, it remains to be seen whether the workers concerned can be persuaded to resume their duties on the strength of it. We have pointed out before that public sector manual workers, who actually got about ten per cent in Stage Three of the old incomes policy, compared with the private sector average of 15 per cent, have a strong grievance this year. A large settlement was always on the cards, even had the five per cent norm held elsewhere. What the whole episode does show, however, is the futility of unrealistic pay targets, however often amended; and what will emerge later, no doubt, is the fiscal problem created both for the central Government and for the employing authorities when plans are drawn up which leave such situations out of account. Plans for real spending must be realistic about real wages.

The episode also raises much more fundamental questions about how public services are provided. Taxpayers and ratepayers who are going to have to meet the bill for this and other adjustments, if the monetary consequences are to be contained, do not begrudge public servants a reasonable standard of income; but they have the right to expect in return a reasonable standard of efficiency. Mr. Frank Chapple, the aptly-named leader of the electricians, was saying no more than everyone knows from common observation when he remarked that we are not getting a reasonable standard of service.

The discomforts of recent weeks, and the costs of a large settlement, would have been perfectly bearable if they had been the occasion for a determined attack on the efficiency problem. The fact that weeks of negotiation have produced not even a pretence of such an attack suggests that our present way of organising local services is incapable of producing efficiency. There are many services now provided by the public sector which can readily be provided by private contractors, and are so provided in many countries—street cleaning, refuse collection and recycling, janitorial services, building maintenance and cleaning, car parking systems, street lighting, and school meals are a few of the more obvious examples. A study in the current Journal of Industrial Economics suggests that savings from this change can range from 10 to over 40 per cent.

Hypocrisy

Even to study such alternatives would help to introduce some sense of realism into future negotiations—and would perhaps provide some yardstick of output, without which the promised studies in comparability are yet another exercise in thinly disguised bribery. There would, of course, remain some services, concerned especially with law and order, health, emergencies and social problems which are in the nature of social insurance, whose output cannot be measured. It is in these services where comparability is a reasonable aim, and where undermanning in some vital services shows that a review is urgently needed. For the bulk of everyday services, where productivity has a clear meaning, however, this sad negotiation should be the last which is conducted simply as a test of willpower, without any real industrial content. The cost, both in money and hypocrisy, is too high.

Taxes on home buyers

LAST YEAR'S steep rise in house prices has reinforced the case which the Building Societies' Association make in its annual budget representations to the Chancellor for easing, if not abolishing, the stamp duty on property transfers. When the present starting point of £15,000 was fixed in 1974, the average price of a house bought on a mortgage was £11,000 and it was reckoned that only 16 per cent of building society borrowers bought houses costing more. By the third quarter of last year 43 per cent of newly-mortgaged houses attracted stamp duty, and by now the proportion is probably close to half.

Progressive

A tax originally intended for the better off is rapidly becoming a tax on the mobile, which hardly makes either economic or social sense. There are always solid reasons why Chancellors of the Exchequer should want to ignore the realities of fiscal drag, and this year will certainly be no exception. But, while the BSA is probably being knowingly over-ambitious in asking for abolition (stamp duty paid by owner-occupiers fetches in about £100m of the £500m or so a year currently raised by all stamp duties) and it is unlikely to persuade Mr. Healey to index the threshold, there is an overwhelming case for setting a higher starting point.

Mr. Healey did precisely that in his first budget five years ago —as his predecessors had in 1972 and 1967. But he also then doubled the scale of duty to 2 per cent. Because the rate is tapered in stages from half of 1 per cent to 2 per cent between £15,000 and £30,000 and the appropriate rate of duty is levied on the full purchase price and not just only on the excess over £15,000, the 1974 increase made the levy even more steeply progressive on houses costing between £15,000 and £30,000. A 21 per cent rise in the value of a house originally costing £19,000 can thus give rise to a 142 per cent increase in duty.

Because average house prices vary, the present scale of duty is disproportionately burdensome in some—unexpected—areas. For example, 71 per cent of newly mortgaged houses in Northern Ireland in the third quarter of last year and 52 per cent in Scotland cost more than London and the South East and a national average of 43 per cent. The present position makes a nonsense of housing policy as well as regional policy. As the BSA points out, if the Government's new bonus scheme for first-time buyers buying a £17,000 house might receive as much in bonus as they had to pay in stamp duty.

The movement deploys a similar set of arguments in its case for raising the cut-off point for mortgage interest tax relief which has remained at £25,000 since it was introduced by Mr. Healey in 1974. The rise in house prices has pushed a growing number of new purchasers bumping up against the limit, especially in Greater London where average mortgage advances are 50 per cent or more higher than in the north.

Relief

Some people argue that the limit should be maintained as part of the case for re-allocating assistance to the needy in both housing sectors, and that new investment could be switched to building low-priced houses for first-time buyers. Some would like to see it kept for ever as a relatively painless way of phasing out tax relief (as would have effectively happened by now had a 1930s chancellor set a limit of, say, £400).

There is however no rationale for these arguments in terms either of equity or use of resources. If re-distribution is the aim then it should be pursued openly by limiting relief to the basic rate of tax or by introducing a universal option mortgage scheme—courses which the Government has declined to adopt for electoral reasons. As for new investment, the market works best by building the quality of housing currently in demand and letting the existing stock filter through the market.

Opposing prescriptions for pricing European drugs

BY SUE CAMERON, Chemicals Correspondent

GROWING pressure for some form of centralised European control over the pricing and marketing of medicines is beginning to cause considerable concern among international drug companies.

Last autumn the European Commission launched a study of how drug prices vary from one Common Market country to another. This followed an allegation in the European Parliament that one cortisone-based drug cost twice as much in West Germany as it did in Switzerland.

At the beginning of this year the Bureau Européen des Unions de Consommateurs produced a report attacking the powers and the pricing policies of the pharmaceutical majors. It accused the drug companies of charging the highest prices each national market would bear, and it claimed that the usual constraints of competition failed to operate in the field of medicines. It called for the establishment of a European commission on drugs and drug prices.

The pharmaceutical industry itself dismisses many of the attacks upon it as ill-informed and unfounded. Imperial Chemical Industries described the consumer unions' report as "a mixture of assumptions, half truths and valid points." It added that the majority of drug companies in European countries like France and Italy were actually losing money. Yet ICI admitted that the industry as a whole was becoming increasingly dismayed by the volume of criticism it had to face in Europe.

One starting point for many of the critics is that the European drug market is dominated by a comparatively small number of major companies. These include European groups such as Hoechst, Hoffmann-La Roche, Ciba-Geigy, Glaxo, Bayer, Beecham, ICI and Rhone-Poulenc. American companies such as Merck, Pfizer and Squibb also have a strong presence.

Hard economics have made research-based drug production something of a closed shop to which only international operators can gain admittance. There are virtually no small or even medium sized concerns bringing their own new drugs to the market place in Europe today. The average cost of researching, developing and testing a new drug is now estimated at roughly £25m. In the mid-1960s the whole process took only five or six years to complete but today it takes 10 to 12 years to put a new drug on the market — partly because of increasingly stringent safety testing.

Patents offer some guarantee of a return on research costs, and drug patents of 20 years are now common throughout Europe. But patents have to be taken out at a very early stage in the development of a new medicine to safeguard the discovery against rival companies which might be working on similar lines. The industry says this means the average patent-protected selling period is probably nearer to eight years than 20.

The protection offered by patents is often further eroded by what are known as me-too drugs. These are drugs that vary only slightly from products already on the market but are different enough to warrant patents of their own. They can effectively destroy the legal monopoly that a patent normally confers.

This further reduces the return on the research costs which are heavy. The Association of the British Pharmaceutical Industry estimates that leading drug companies spend about £30m a year each on research. Government statistics suggest UK pharmaceutical research costs normally represent about 12 per cent of the total value of sales each year, while the figure for the electronics industry—the next most research-intensive sector — is only 3.7 per cent.

The costs, the expertise required and the commercial risks involved in producing a new medicine limit smaller companies to the manufacturing of unbranded generic drugs whose patents have expired. The multinationals also make generics, but the role of companies which produce generics alone (and therefore have no research costs) is important because it introduces a greater element of competition to the market.

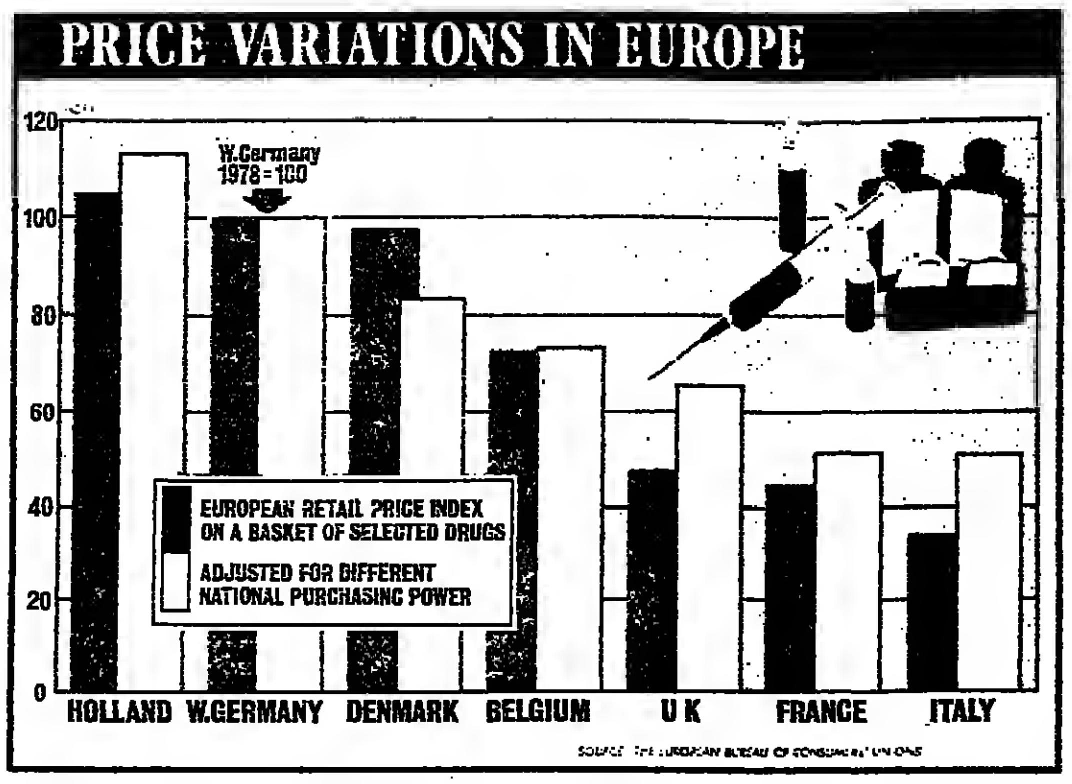
Government aid

The European consumer unions' report calls on the Community to take a number of steps intended to intensify existing competition in the pharmaceutical market so that drug prices can be lowered. It wants new entrants to the industry to be given "tax holidays" on their advertising expenditure and it suggests that generics producers be given direct government aid so that they can build up research departments. It even recommends that governments should consider "taking over to some extent or entirely" pharmaceutical research, though it does not go into any detail on this point.

Some of these recommendations do not stand up to close scrutiny. The current costs of drug research are so great that even the most liberal tax concessions would still leave small, ambitious companies out in the cold.

The report is perhaps on stronger ground when it attacks the "large differences" between drug prices found within the Common Market. It takes these variations as "direct confirmation that the drug oligopolies are able to use their exceptional powers to set prices" and it stresses that action must be taken at Community level.

One reason for the differences between pharmaceutical prices in the Common Market is that some member states exercise controls while others do not. West Germany, Denmark and Holland have no effective government control over drug prices. France, Italy, Belgium and the UK all regulate pharmaceutical prices to varying degrees.



The French and British Governments are the toughest although the systems they operate differ. The UK Pharmaceutical Price Regulation Scheme sets an annual maximum percentage return on capital for each drug company —the percentage varies from one company to another—and claws back any excess. The French Government calculates and enforces a price for each individual pharmaceutical product as do the Belgians and the Italians. The impact of controls is strongly reflected in national prices. The consumer unions' report gives a comparison of retail prices for a basket of three types of drugs—antibiotics, cardio-vascular drugs and psycho-tropics which are used to treat mental illness—which shows that these pharmaceuticals are most expensive in Holland where there are no controls.

The retail price of the basket in Holland is 4.5 per cent higher than in West Germany. But in the UK it is only 47.4 per cent of that in West Germany.

Some multinational drug companies claim that differences between retail prices can be explained almost entirely in terms of government controls. Rhone-Poulenc, the French based chemical and pharmaceutical group, says the direct relationship between lower prices and the existence of government controls proves that the European consumer unions' report is "completely wrong" when it suggests the drug majors charge whatever the market will bear.

"The pharmaceutical groups do not have the freedom to price their products according to what the market will bear," Rhone-Poulenc says. "If controls were lifted and the pharmaceutical companies were given complete freedom to determine their own pricing policies then there would be a much greater equalisation of drug charges within the Common Market."

Close observers of the pharmaceutical industry say that although the German drug market is ostensibly free, its prices are almost certainly influenced by the Government controls operating in neighbouring Common Market States. They add that the major drug companies would probably be unable to resist the temptation to increase pharmaceutical prices throughout Europe if all national controls were withdrawn.

Government controls in some countries and the lack of them in others are clearly partially responsible for the variations in European drug prices but a number of other factors have to be considered. Production and research costs vary considerably among the Common Market countries. Pay levels, for example, can differ greatly and ICI points out that salaries account for 70 per cent of its drug research costs.

The weakness of using costs to explain drug price variations inside Europe is that a single plant can produce sufficient quantities of a particular pharmaceutical to supply several continents. Yet when the prices for a basket of antibiotics, psycho tropics and cardio vascular drugs are adjusted for different national purchasing powers relative to the cost of living, the variations in charges narrow significantly.

Holland then has a price 13 per cent higher than that in West Germany, while the UK price is 65.4 per cent of that in West Germany and that in Italy is 51.1 per cent.

British pharmaceutical industry analysts say that if the basket included all drugs, rather than three types only, the differences in price would be narrower still.

National attitudes to medicines and illness also need to be considered when comparing drug prices. The British tend to be a neurotic lot, much given to pill popping and to worrying about their catarrh, their lungs, their throats and their noses. The French, on the other hand, blame their livers for most of their ills which they prefer to treat with the aid of suppositories. The Germans are preoccupied with circulatory problems and when they take their medicine they like it in the form of injections.

Bargain prices

The current differences in European pharmaceutical prices have led to what is known as parallel importing. The term refers to middlemen buying drugs in cheap countries like the UK and selling them — profitably — at a bargain price in the expensive German and Dutch markets.

However, parallel imports are estimated to account for only a tiny proportion — 2-3 per cent — of the total European drug market. There are a number of reasons. One is that price differentials have to be extremely high to make parallel importing worth while and price variations on most products are not sufficiently wide. There is also the difficulty of selling drugs that have been packaged and branded for one national market in an entirely different one. Another problem is the question of manufacturers' liability, especially if a product has been repackaged.

The pharmaceutical industry is against parallel importing, but companies like La Roche say it has no direct effect on their retail prices in the dearer markets of Europe.

One question about the harmonisation of drug prices that the European consumer unions' report does not touch on is whether or not it would be politically possible to set up a Common Market body to control the pharmaceutical industry. Governments in countries like the UK are largely responsible for footing the national drugs bill and it is debatable whether they would be prepared to see the control of this expenditure pass to a European body.

The consumer unions' report insists that a European commission on drugs should play a part in directing pharmaceutical research. It also suggests that shorter patents should be granted to drugs with relatively smaller therapeutic value and it also wants less effort spent on the development of me-too drugs.

It is hard to see how either of these steps could be taken without setting up some kind of cartel for research purposes and this would further reduce the element of competition in the industry. If the industry were forced, at the same time, to concentrate entirely on exciting new discoveries then its income from less innovative, bread-and-butter products would be severely reduced. This would mean that ultimately there would be less money available for researching and developing new drug therapies.

The number of completely new drugs reaching the market each year—new treatments, not me-too products — is already declining.

But the danger of hamstringing innovative, life-savings drug research in an attempt to lower charges and harmonise prices is a powerful argument against over-hasty change. Dr. Klaus von Grehmer, who used to work for La Roche and is now with Ciba-Geigy, stressed this point in a paper on Continental drug prices published last year:

"By forcing countries to throw open their frontiers to free trade and by imposing drastic price controls, it might well be possible on a short term basis to reduce the prices of medicines and thus to cut the costs of health care," he said. "Such a policy, however, would further reduce the pharmaceutical industry's earning power in markets operating a system of free competition and would increase the political pressure exerted on prices in these markets. Economies made at the expense of research and development would only begin to produce visible repercussions after a time lag of at least 10 to 20 years."

MEN AND MATTERS

Awaiting the man with the plan

The need to find some brave new thoughts to put in a general election manifesto might well explain the Government's eagerness to see a report being drawn up by Aubrey Jones, one time Tory minister and chairman of the Prices and Incomes Board until 1970. The subject: relations between government, industry and the trade unions for strategic economic planning in European countries.

The report is being paid for by the Department of Industry, although no public announcement has been made. Jones will be dashing out an interim report next month and a fuller study in June. He is currently in Germany, seeing industrialists and union leaders, has visited Fiat in Italy and talked to French bankers and planners. Even Japan may be on the itinerary.

The first suggestion for the study came from the Society for Long-Range Planning, a prestigious if somewhat obscure body of which Jones is a vice-president (Sir Derek Ezra is the other).

The Department of Industry came back with alacrity earlier this year. This reaction might perhaps be related to the mounting industrial stress. So Jones, 68, began his travels around Europe. His background for the job, as an economist and company director, with former links with both main parties, is impeccable: he also has bold ideas about the wage bargaining impasse.

A main advocate of his investigations is Alan Williams, a fellow-Welshman and Minister of State at the Department of Industry. One of the key tasks for Jones is finding out how other European countries identify growth industries and how governments stimulate them.

Jones is certainly no stranger to long-range planning elsewhere. Under the aegis of the Booker Group he laid down an

agricultural plan for Iran—which he last visited nine months ago. The programme which he gave the Shah ran right up to 1992.

Outmanoeuvred

Israel's women soldiers have begun to display a toughness no one bargained for. During the past week, six women who have completed their compulsory two years' service have been jailed for refusing to do reserve duty in protest against a change in the conscription law. This exempts from army service girls who declare they are practising Jews.

"We are victims of coalition politics," declared the first of the Refusniks, 25-year-old Dina Giland when she was arrested at the Tel Aviv bank where she works.

To persuade the religious political parties to join his government, Menahem Begin agreed to ease the strict piety tests, and two months ago the law was amended so that girls can gain exemption by a simple, unsupported declaration.

This led to an immediate drop in the number of girls joining the army, and the military was in turn forced to change its practice of releasing single women from reserve duty at 25. They can now be called up for one month a year until the age of 35.

Others have followed La Gilad's example — one of them now on hunger strike in prison. With widespread public support for the women's action, it looks like one battle the indomitable Israeli army cannot win.

New dance

After 10 years of trying without notable success to imitate the Playboy Club in London, the Penthouse Club around the corner *in Shepherd Market*, has abandoned the unequal struggle and is uprooting the strobe lights and microphones. The new formula: a strong business bias. When it re-opens in April or May as the London Penthouse, the would-be playboys will have been replaced by new members paying £300 a year—against the old rate of £25.

Peter Bolt, one of the three joint managers—the others are his father and brother—tells me archly that he does not know how much money the old club lost: "It's always difficult to know in a big company whether you are losing money or not." But he is buoyantly optimistic that the new image, designed to appeal to international businessman, will attract more than enough members. The limit is to be 800, including company memberships at £750 a year.

What is new about the formula is that the club is offering boardroom and secretarial facilities, installed in a refit costing £80,000.

"The idea is that somebody can fly in from Los Angeles, go to the London Penthouse, and have everything laid on for him."

So intent is the club on its new respectable image that it has approached the Financial Times to supply its members with market and financial information—a shuffle or two away from the down-at-heel discos of yesteryear.

Praxis complete

Obedient to historical inevitability, the cotton mill established by Friedrich Engels senior in Engelskirchen, near Cologne, has finally ground to a halt. Its owner, Hermann Engels, a great-grandson of Friedrich's brother, is selling the 142-year-old factory to a property develoer.

As Marx would no doubt have foreseen, the concern was no longer turning in a profit, and since 1960 has gradually reduced its labour force from 350 to 35, these last now joining the industrial reserve army. Their consolation is, however, more than thoughts of the ineluctable forces of the Marxist dialectic—they are being compensated with sums between DM2,500-DM15,000.

Along with the proceeds from another Engels factory in Manchester, the firm of Ermen and Engels in Engelskirchen helped keep intact the infrastructure of Karl Marx's family while he slogged it out in the British Museum writing Das Kapital. Engels junior, Marx's friend and patron, refused to assume command of the paternal factory himself, saying it was "bourgeois." He left his brother Hermann to sully his hands with trade, while he went off to England to help prepare the revolution.

Pedigree service

The British may regard themselves as a nation of dog-lovers, but a new Pet Motel near New York has piped music in all kennels, staff who read letters to the boarders from their absent owners—and two kitchens. These specialise in dogs' hamburgers, bacon and eggs and roast beef.

Observer

FINANCIAL TIMES SURVEY

Thursday February 22 1979

QATAR

Prosperity has come fast to Qatar, and the establishment of basic industries to compensate for the future decline in oil revenues is progressing steadily. Qatar can also take comfort from the existence of a huge offshore gas field, which can be exploited in the future.

BASIC STATISTICS

Area	4,400 sq. miles
Population	200,000
Trade (1977)	
Imports	QR 4.85bn
Exports	QR 8.10bn
Imports from UK	£117m
Exports to UK	£100m
Trade (1978)	
Imports from UK	£91.7m
Exports to UK	£30.4m
Currency=riyal	£1=QR 7.7
	$1=QR 3.8

Wise use of wealth

By Michael Tingay

WHEN QATAR expressed firm views against the federation of nine Emirates proposed by the departing British administration more than a decade ago there were those who doubted the viability of the Emirate as an independent mini-state. Since independence eight years ago income has risen eightfold and Qatar has prospered. Development has been slow, but Doha has avoided the worst excesses of the boom in the Gulf. Progress has been hampered by the shortage of educated Qataris but not by petty quarrels of the kind which have dogged development in the United Arab Emirates. Limited income forced the Emir to avoid spending for the sake of prestige. Qatar has a modest but adequate airport, a single luxury hotel and an unambitious defence force armed purposefully with well-tried weapons but shunning the stampede for ultra-sophisticated military hardware.

Qatar is one of the richer states in the world but its wealth is seriously unbalanced. Resources other than hydrocarbons are absent, including human resources. It can only be called oil-rich mainly because it has so few people. Proven oil reserves of 5.6bn barrels represents a tiny fraction of total reserves in OPEC countries, enough to last 25 years or so at present rates of production. Annual oil output is only 1.5 per cent of the OPEC total, although this will earn Qatar $2.8bn this year and over $3bn in 1980, a huge sum for a state with an indigenous population of only 50,000. When oil runs out the Emirate will be able to depend on vast offshore gas reserves, the importance of which has not yet been fully appreciated by Qataris. In the meantime basic industries are being developed which, it is hoped, will account for 20 per cent of national income in the 1990s.

The country is extraordinarily well off in terms of per capita income. If one considers the 200,000 residents of Qatar, most of whom do not have Qatari nationality, oil revenues have been equivalent to a yearly income of $13,500 per head. Taking the indigenous population with full nationality, 50,000 Qataris will this year share an average oil income of $56,000.

Politically Qatar has not departed from its traditional loyalties. It looks unashamedly towards Saudi Arabia for guidance and retains an almost sentimental affection for Great Britain. Such is the satisfaction at the current visit of Queen Elizabeth that one could believe the Emirate chooses to forget that London will never again be able to play a major role in the protection of traditional interests in the Gulf. The visit of the British monarch has even partially eclipsed the other single interest of the moment, the events in Iran. Qatar recognises that in defence and security its future is inextricably linked with stability in the Gulf as a whole. So apprehensive are the authorities about the collapse of the Shah's power and the regional consequences that they are content to defer totally on the subject to those who have even more to lose by the spread of instability.

Doha is no longer a "giant building site" as it has sometimes been unkindly labelled in the past. This is partly because many buildings have been completed and partly because last year a series of spending cuts was introduced, stopping progress payments on several construction projects. Land and building speculation were nipped in the bud as Sheikh Khalifa took measures to slow inflation. He succeeded in reining in the inflation rate from 40 per cent by cutting expenditure by more than 10 per cent. A sign that the economic brake is being slowly released is the recent award of the contract to finish the Sheraton, a pyramid-shaped skeleton at Doha's West Bay.

Foreign

No matter how steady the path of development, Qatar remains dependent on foreign labour and skills for the construction of the modern economy. There are about 50,000 indigenous Qataris out of a total population of about 200,000. The building of infrastructure, housing and industry requires vast pools of mainly Asian labour, while management of the economy and administration demands the employment of large numbers of skilled Europeans and northern Arabs. About 80 per cent of the total workforce and a higher proportion of the strictly private sector workforce are non-Qatari. This does not seem to produce the strains experienced elsewhere in the Gulf, perhaps because the Government is at pains not to let the expatriate workforce become entrenched. A dominance of Pakistanis now seems to have been redressed by a deliberate policy of taking labour from other Asian countries for contract work. One incidental compensation for the dependence on foreign labour is that Qatar must be one of the few countries in the world which will be able to regulate its population level in the future by simple administrative planning. Once the need for vast numbers of construction and manual workers declines Qatar will be able to adjust the numbers and composition of the workforce as it wishes.

A flight in one of the three Hawker Hunters of Qatar's air force (acknowledged by Hawker Siddeley to be the best maintained examples in active service in the world) offers a vivid portrait of Qatar's limitations. It takes only an hour to fly round the entire coastline. The country is a barren fawn and yellow peninsula distinguishable from the land mass of Saudi Arabia only by a shallow lagoon winding from east to west. A theoretical line crossing the salt water makes not an iota of difference to the bedouin who cross freely nor to the pink flamingoes that periodically grace the lagoon.

A good road links the northern coast with Doha, running down the eastern side of the peninsula and continuing south of the capital to Umm Said, the site of the new industrial city. There, the remnants of what was once the natural gas liquids plant (destroyed by fire two years ago), can be seen at a charred spot where storage tanks once stood. Black circles are banded into the ground as a permanent imprint. Another road leads from Doha west to Dukhan, the oilfield zone on the west coast. These three built-up areas are pinpricks on the landscape. The rest is unrelenting desert.

Dependence on oil money is paramount. Revenues should easily exceed $3bn next year and should remain at that level for several years as price rises compensate for falling exports. Qatar is content to leave the immediate financial problem of the weakened dollar to the consensus of OPEC's moderates. (Sheikh Abdul Aziz al Thani, Minister of Finance and Petroleum, said his country suffered a 24 per cent loss of earnings in 1978 due to erosion in the value of the dollar.) The real insurance for the financial future of Qatar must lie in development of the North West Dome gas fields. This vast reserve of natural gas should be able to replace oil as the chief revenue earner of the 21st century. To develop it is an expensive and lengthy process involving complex finance and marketing arrangements. The return on investment is much lower than with oil, but when crude production begins to dip in the 1990s the prospect of exporting liquefied natural gas will seem much more attractive. Until now Qataris seem almost unaware of the fresh lease of life this new hydrocarbon resource has given them. All the concentration for the future has understandably been on the industrial programme, which is currently absorbing investment at a rate of QR 8bn over a ten year period.

No country in the Gulf has pursued an idea so single-mindedly as has Qatar in its quest for swift diversification of revenues through industrialisation. The fire in the NGL plant was a major setback, but the decision was made not only to continue with plans for NGL 2 (which is for offshore gas) but to rebuild NGL 1 and dovetail its reconstruction so that it comes on stream soon after 1980 with the rest of Umm Said's industrial complex. Umm Said is now due to be in full operation in the early eighties and plants should be profitable (if costings and market studies are right) by the late 1980s. Qatar has trimmed its more ambitious plans somewhat. The new oil refinery will produce products only for the domestic market, the bigger project of an export refinery having been shelved, and plans to double the fertiliser capacity have been delayed. However, the iron and steel works is already producing after being opened last summer. The first petrochemical unit is scheduled to start operation in 1980 and the management of the Qatar Petrochemical Company (QAPCO) says the critical path for completion is being maintained.

Takeover

Sheikh Khalifa bin Hamad al Thani, who assumed power in a bloodless takeover in 1972, has been most conscious of his economic and political place in the region and in the Arab world as a whole.

The ruler is said to be the first to have advocated the idea of setting up a Gulf common market on similar lines to the European Economic Community. He is an advocate of eventual economic and monetary union in the region as the best approach to create political unity. Doha is the headquarters of the Gulf Organisation for Industrial Co-ordination, a body of which little has yet been heard but which is more likely to make its mark than many pan-Arab bureaucracies. GOIC has high calibre staff with a realistic approach and will monitor the establishment of industries in the region. By concentrating on an information data bank to begin with it will try to prevent duplication of economic effort and the wasteful use of resources.

In politics Qatar has been at the forefront of efforts to contribute to the broad Arab cause. Despite its limited income aid disbursements have only recently dropped to 5-7.5 per cent of total revenue. This followed years of spending 15 per cent of earnings on aid. The Ruler has made it a policy to distribute funds through multinational channels. He gave more than $200m as his contribution to the fund for Arab confrontation states after the Rabat summit of 1974. Qatar's share of the Gulf Organisation for Development of Egypt (GODE), was set at $400m—equivalent to one fifth of the annual oil income and one tenth of the gross national product. Nor did Sheikh Khalifa baulk when it became clear that GODE money would actually be directed entirely to maintaining Egypt's high level of deficit financing. Qatar is also one of the four equal shareholders in the Arab Organisation for Industrialisation (AOI), the billion dollar corporation based in Cairo to develop for the Arabs an arms manufacturing capacity, the future of which is probably linked to President Sadat's peace initiative with Israel.

Qatar is committed to the survival of President Sadat's regime in Egypt, considering it a bastion of modernisation in an increasingly extreme world. Like Saudi Arabia, Qatar secretly wished Sadat well in his venture with Israel. However, even before publication of the agreement terms of Camp David, which were seen to be violently divisive in the Arab world, Sheikh Khalifa was very worried about the rift in the Arab world caused by the Egyptian leader's actions. A reflection of the Ruler's loyalty to Sadat came when the Egyptian President attacked those who attended the anti-Sadat Baghdad summit last year. Mr. Sadat even attacked Saudi leaders but when he reached the name of Sheikh Khalifa he exempted him from bitter criticism referring to the Qatari Emir as "my brother."

The Emirate has long had a close relationship with the Palestinian body politic. Officials at Doha's PLO office say that the ruler of Qatar first gave hospitality to Palestinian activists in 1964 when individuals from what is now the Fatah guerrilla group came to the Gulf. The Emirate is host to 20,000 Palestinians, including many youngsters who are encouraged by their parents and by the PLO to concentrate on further education as a weapon rather than military and political activity. The Palestinians are not considered a threat to security, despite their large numbers, because of the nature of the relationship with the authorities and the fact that hundreds of senior Palestinian officials and advisers in Qatar's administration have nothing to gain and everything to lose by a change in the status quo.

Qatar adapted quickly to the termination of the treaty relationship with Great Britain, and it was simple and logical for Saudi Arabia, to which Qatar

CONTINUED ON NEXT PAGE

QATAR II

Prosperous economy under careful management

FROM THE time one arrives in Doha it is apparent that the economic style of Qatar is very different from other Gulf states. Its relatively humble airport does not buzz with the same hustle and bustle, and its capital, Doha, is not the same giant sprawling construction site as other neighbouring cities. The key words of the State's economy are growth and restraint for, above all, Qatar has learned to take its oil wealth with a measured stride.

By Gulf standards, its oil production is modest—about one-third of Abu Dhabi's and only a quarter of Kuwait's. Present output from Qatar represents a mere 1.5 per cent of Opec production and only 0.8 per cent of the world total. Daily average production in 1978 was 480,000 barrels a day and, if current levels are maintained, the reserves are expected to decline in another 20 years and become depleted 15 years after that. To prepare for that day when the oil runs out, the Government is spending a massive U.S.$2.3bn on the establishment of heavy industry to diversify the sources of the nation's income. Looking much further ahead, there is gas, for Qatar's North West Dome is one of the largest gas fields in the world. But such bright prospects are still years ahead and, in the meantime, management of the economy is still a carefully-balanced affair.

Inflation

When the beginnings of a boom began two years ago, the Emir, Sheikh Khalifa, was quick to act. Inflation was racing at an annual rate of 40 per cent and port waiting times had soared to about 120 days. Payments to contractors working on major Government projects were held up and not resumed until the beginning of 1978. A number of projects such as Government buildings were left half finished as the Government went through a reassessment of its priorities and scaled down its ambitions. Unlike other Gulf leaders who are more susceptible to pressures from local merchant communities, Sheikh Khalifa has been able to maintain the slower pace of development throughout 1978.

The cutbacks were felt immediately by the local traders and contractors, who had come to believe the boom would continue unabated. In 1978, total expenditure was projected to be QR 8.28bn (£1.09bn), as against QR 7.316bn the year before—a 13 per cent rise. However, finance officials concede that actual expenditure turned out to be 11 per cent less in 1978 than 1977. Most of his cutback fell on the capital side as the Government stopped projects and reassessed its priorities, though some of it can be attributed to the country's relatively low absorption capacity.

Housing had an enlarged allocation in that year, but the education budget fell from QR 895m to QR 331m and health services' allocation from QR 391m to QR 113m, according to unofficial estimates. Part of the education cutback can be attributed to the decision to postpone building the university for another year. However, in 1979 total expenditure is expected to go up once again, from QR 8.28bn to QR 9.48bn. Of this current expenditure will account for QR 5.086bn and capital projects another QR 4.40bn. Part of this projected increase will be accounted for by the increased aid drawings expected this year, and also may reflect Qatar's commitment to the Baghdad Summit resolutions.

As the pace of the economy is determined largely by government expenditure, the new era of restraint has had its effects on the private sector. Imports have actually declined, an unknown phenomenon in the Gulf where the equivalent of a recession elsewhere generally registers merely as a slowdown in growth. In 1977, Qatar's imports were at an all-time high of QR 4.85bn compared with QR 3.3bn, though most of this rise can be attributed to the early part of the year.

The downturn in trading shows dramatically in the first six months of 1978, for import figures went down to QR 1.92bn compared with QR 2.72bn over the same period the year before. This represents a hefty drop, though in tonnage terms imports were almost the same, reflecting the changes in the U.S. dollar. Bank credit also shows signs of slowing up in its growth, for advances to the private sector went up only a modest QR 426m to a year-end December 1978 total of QR 2.8bn. This compares with a 58 per cent growth in credit the year before, and reflects the careful lending policies of the banks.

Sheikh Khalifa moved swiftly to stop the land speculation which had begun. Qatari merchants had been buying up land in the expectation of government development and had begun activities as land brokers. The development resulted in a fivefold increase in land prices, which ended only when the government abruptly stopped its land acquisitions and forbade the banks to extend credit for these purposes. The Emir's measures nipped in the bud any speculative real estate developments, and though there are a number of office and residential projects under construction (some of them 16 storeys high) Doha does not have thousands of empty apartments — yet. Already rents have decreased from the ludicrous levels of two years ago, when it was not uncommon to pay QR 11,000-QR 12,000 a month for a modest villa. New villas coming on to the market are still fetching at those prices but rents on older buildings have dropped sharply to 50 per cent of their former levels.

Successful

All these government measures have been successful in bringing down the rate of inflation. Advisors now estimate that it is running at about 15 per cent, and there are hopes that it may decline further to about 10 per cent, almost all of which could be accounted for by external inflation.

The cutbacks have also pulled Qatar out of what promised to be a QR 2bn deficit which had been forecast for 1977. Because oil production went down by 10.7 per cent, oil exports were valued at QR 8.11bn compared with QR 8.44bn the year before. Together with revenue from investments (QR 606m) other exports and re-exports (QR 144m) and other receipts (QR 105m), total revenue that year fell from a total of QR 9.3bn to about QR 8.9bn.

However, 1978, with construction on the industrial plants reaching into their peak period and increased aid commitments, required an increase in oil production. Daily averages in output went up from 436,000 barrels a day to 480,000 barrels last year. Oil exports revenue thus peaked at QR 8.6bn last year (U.S.$2.2bn). Exports and re-exports accounted for QR 350m, revenue from investments at QR 790m and other receipts QR 105m. So total income to the Government can be estimated at about QR 9.8bn or U.S.$2.56bn. Instead of a forecast deficit of QR 1bn, there was, with the budget cutbacks and lower aid drawings, an actual surplus of QR 600m, say finance officials.

Qatar is, and always has been, generous in giving aid to the Arab states in particular, and on a smaller scale to the Muslim countries. The exact amounts given is never divulged, though Qatar has always taken no more than its share, in view of its income, to Arab causes and pan-Arab organisations. Qatar contributes, for example, to the Arab Deterrent Forces in Beirut, is a member of the Arab Organisation for Industrialisation, and also the numerous Arab commercial organisations in the fields of shipping, banking and investment.

The Qatar Government has also pledged to play its part in contributing to the special fund for the combatant states which was established at the Baghdad summit last year, though according to Qatar's finance minister, Sheikh Abdul Aziz bin Khalifa al Thani, the commitment will in no way affect Qatar's role in the Gulf Organisation for the Development of Egypt. Egypt, he said, was a member of the Arab family, indicating that aid flow would not be affected by political developments. Actual aid drawings were low last year—subscriptions to the Arab organisations went down to QR 750m from QR 886m in 1977, and loans to less-developed countries went down to QR 76m from QR 117m. This was due to the delay in completion of technical studies on projects, Sheikh Abdul Aziz has explained, and though this was expected to increase in 1979, the level of aid as a percentage of total income is not expected to vary from its norm of 7.5 per cent.

Output

This year, oil production is expected to go up once again by about 7 per cent, bringing output up to a level averaging 510,000 barrels a day. With the latest EEC price rises and Qatar's own first-quarter increase of 7 per cent, such a level should bring in about $2.8bn. Looking on the pessimistic side and calculating no change in the revenues from exports, investments and other receipt, 1979 could see an income of more than $3bn. In 1980, production is expected to go even higher, to a daily average of 520,000 barrels a day, which would push Qatar's income well above $3bn.

Foreign assets of the Qatar Monetary Agency are also showing healthy growth and have risen from QR 468m in 1976 to QR 601m the following year. Since then, management of the reserves has been handled by a seconded official from the Bank of England, and last year the reserves showed a 50 per cent rise to near the U.S. $200m mark.

Government surpluses are handled by the Qatar Investment Board, which unlike other Gulf investment organisations, tends to be viewed by the government as a cushion against deficits rather than a long-term pension fund for the nation. The board consists of a handful of top financial advisors to the Emir who meet twice a year to decide on the components of each portfolio. There are ten portfolios in all, two in the U.S., two in Switzerland, one in West Germany, France, Britain and Canada and two in Japan, reflecting Qatar's desire for an even international spread on investments. The largest portfolio is that of West Germany, the smallest is in sterling, and 5 per cent of total investments are in Japanese yen, and less than 10 per cent in U.S. dollars. About 50 per cent of the investments are in equities, and the board has an overall policy to hold investments of not more than seven years' maturity.

Last year, because the excess of revenues over expenditures was so low, the board's funds received no fresh injection of money; the surplus was merely added to the government's cash reserves. However, this year, Sheikh Abdul Aziz expected a surplus of between 10 and 15 per cent of total revenues, including investments. This year's budget shows a 15 per cent increase in expenditure over last year's, rising from QR 5.16bn to QR 5.9bn. It is a modest enough increase, though one which has considerably perked the local trading and banking community.

An analysis of the budget shows clearly the Government's priorities and its desire to diversify its future sources of income away from oil. Out of a total of QR 5.9bn industry absorbs the largest share, amounting to QR 2.067bn. Of this, QR 1.8bn is going for the completion of the gas liquid plans, NGL 1 and 2, the petrochemicals plant, the addition of a limestone furnace at the cement factory, and exploration projects of the Qatar Petroleum Producing Authority. As a further thrust to boost the private sector's enthusiasm in the industrial field, QR 20m has been allocated to help new projects. Another QR 265m has been put by for other associated facilities for industry and for new ventures in the agricultural field.

Although industry absorbs the lion's share of the Government's budget, the largest increase is seen in the infrastructural sector. Some QR 1.72bn has been earmarked for completing government projects and buildings, for public housing, the expansion and improvement of roads and sewerage projects. The allocation for infrastructure of the budget produced a QR 799m jump, reflecting the fact that Qatar has by no means completed the task of creating an infrastructure for the country. Education, too, has gone through a modest increase of QR 319m and health services an increase of QR 87m.

Lower allocations have been outlined for the fields of electricity generation and distribution, aviation, ports and telecommunications. The decreased amounts reflect the fact that projects in the sector such as the Ras Abu Fontas power station and Doha port are now nearly complete.

The preoccupation with creating a viable industrial sector is naturally the top priority in a state such as Qatar where nil production inevitably is going to decline one day. Few of the Government economists believe that the massive industries currently under construction in Umm Said are going to bring any real benefits to the economy in terms of earnings for at least another six years. By the 1980s, given the encouraging trends in the market, revenues from industry will contribute between 20 and 30 per cent of total income, Sheikh Abdul Aziz believes. Naturally, the potential earnings would depend largely on the future prices of gas.

Studying

As the Government plunges into the field of heavy industry, it is also attempting to persuade its private sector to begin light industrial ventures. The Industrial Development and Technical Centre is studying 19 projects which could prove suitable for such investments by the merchant community.

Feasibility studies have been undertaken to assess potential markets within the region and also to find out what other nearby states are undertaking so that duplication can be avoided. The private sector will then be aided by long-term soft loans and land. The long-term objective is to steer the private sector away from their more traditional and unproductive forms of livelihood such as trading and property, two fields which have become easy living while Qatar remains a prosperous oil state.

But perhaps the most telling symptom of confidence to the outside world of Qatar's carefully managed economy lies in the interest rates it managed to secure on its latest Eurodollar borrowing. When Qatar first came to the market two years ago for U.S.$350m, the rate was 1 per cent above the London interbank rate (LIBOR), but on the last occasion, in late 1978, an internationally-syndicated loan of U.S.$175m went for just five-eights above LIBOR.

Kathleen Bishtawi

Wealth

CONTINUED FROM PREVIOUS PAGE

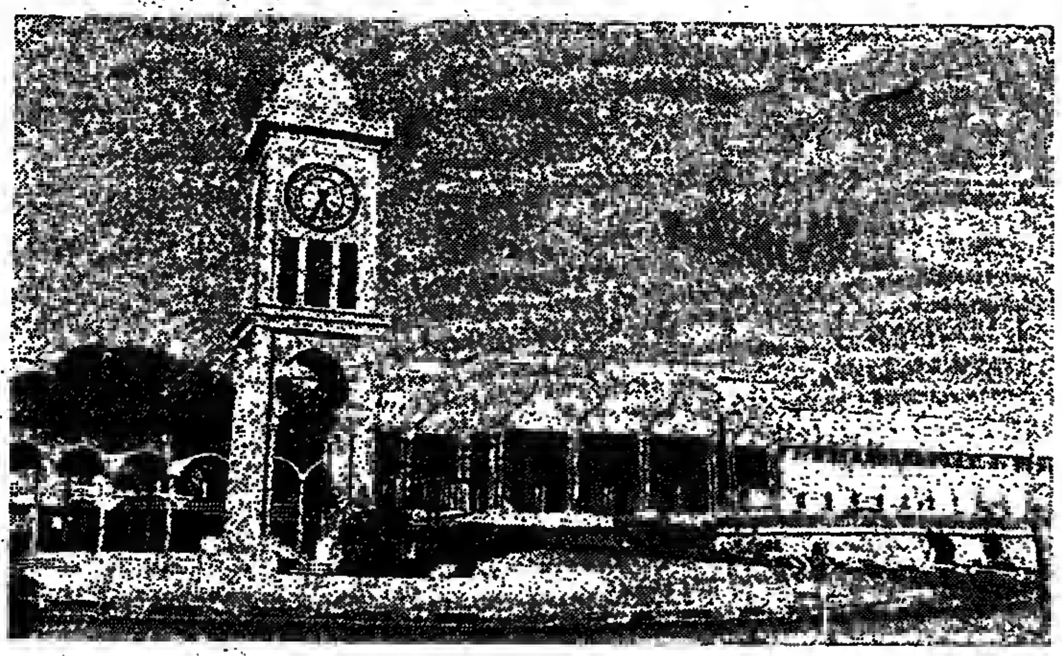
defers on any discussion of strategic matters, to assume the role of political protector over its peninsular cousin. Qatar and Saudi Arabia share tribal and historical ties. The common belief in the fundamentalist interpretation of Islam gives added strength to the bond. Qatar's armed forces exist not so much to meet external threats as to avoid an invitation to possible threat by the absence of an army. In fact Qatar is lost in the strategic dimensions of the region.

Sheikh Hamad al Thani, Crown Prince and Minister of Defence, replied to a question about what direction a security threat might come from, saying: "There is no source of threat to security of the State of Qatar." While this is obviously an over-simplification of a complex issue, it is true that no external threat could focus on Qatar alone.

However, the nub of what is called "the security problem" (it means a takeover of any Gulf government by interests inimical to the West) lies in the spread of instability from within. There is now the added fear of contagion from Iran's radical religious revolution. It is ironic that while the western protectors of the Gulf (mainly the U.S. in the strategic sense) have been so preoccupied by the spectres of Communism, Arab socialism and radical Arab nationalism, that they failed to anticipate the threat to stability from religious radicalism, although this has been a feature of the Middle East for decades.

While Qatar's political and social atmosphere is relaxed, it would be an error for Saudi Arabia and the Western powers to overlook the substantial Iranian population of the Gulf in Arab states. It is not often appreciated that Qatar has 30,000 Iranians in the community (even more according to the estimates of the Iranians themselves). Inevitably they are affected by events in Iran, whether because a peaceful outcome draws back large numbers of self-exiled Iranians or because civil wars always involve expatriate populations. There is nothing actually to suggest the Iranians could be a threat. Nor should it be supposed that Arabs will adopt Islamic republicanism. This view was expressed by a visiting pro-Khomeini Mulla from Iran recently. Sheikh Bahaeddin of Shiraz, asked whether Arab monarchs had anything to fear after the departure of the Shah, replied: "They have nothing to fear. This is my fifth visit to Qatar. Each time I see the people have more. If Arab monarchs continue to give the people medicines, schools and houses there is nothing to fear."

Tranquil politics mark Emir's rule



The Amiri Palace and clock tower in Doha, capital of Qatar

AT 8.30 AM everyone in the antichamber rises as the Emir arrives for the mejles, his twice-weekly session with the people. Shrewd ones have joined the elderly, stationing themselves ahead of time and commandeering strategic places in the armchairs and sofas which line the walls of the huge room. They, too, rise as the ruler walks in talking discreetly with family confidants, while those who have come to greet or petition him spread round the chamber offering places to one another unhurriedly. The function is a dignified one.

Contact between the ruler, Sheikh Khalifa, and his subjects also takes place through the Advisory Council, set up to offer comments on legislation before new laws are decreed. It is not a parliament. When the Emir created it he wanted some means of wider participation in the development of the state and feedback of a broader kind than he received in the mejles. The Advisory Council assists the legislative authority which is theoretically separate from the Executive and Judicial branches. In the same way, the Cabinet of Ministers assists the executive authority and the civil courts enhance the judicial authority which, before independence, consisted solely of Shari'a (Koranic) law.

While a comprehensive welfare system takes care of the social development of the Qatari people, their political development cannot be said to have advanced greatly so far. Nor is this likely to happen until the spread of education penetrates further and deeper into the community. However, this process will not be entirely comfortable since the growth of a young, educated elite will create problems of integration. As young Qataris return home in the next few years from universities abroad, they will be influenced by the foreign ideas and attitudes they have learned. Their success or failure at implementing their new ideas will have far-reaching social and political consequences.

Access

One hundred or so Qatari citizens took advantage one day last month of their traditional right of access to the ruler. Sheikh Hamad al Thani, Commander-in-Chief of the armed forces, Minister of Defence, and Crown Prince of Qatar, conducted the mejles in place of his father, who was visiting Paris. In traditional Arab society anyone, citizen or visitor, can attend the public mejles. In Qatar mejles takes place twice a week for an hour or so. A separate occasion is set aside once a week for the family mejles when any member of the Althani tribe can see and consult the ruler. Some States in the Gulf have become accustomed to the presence of occasional foreigners at the mejles. When I arrived, courtiers and guards at Qatar's Emiri Palace clearly had never encountered a foreigner who arrived without special arrangements, though any guest in the country can ask to greet the ruler. After minor consternation, minutes before the arrival of the deputy Emir, a senior official confirmed that even a visitor could join the mejles, and all was well.

As it had done for centuries, the greeting and petitioning proceeded while the guests were offered coffee, the servers dextrously clicking the handleless cups as they moved round the chamber. Outside the palace the car park was packed with large American sedans and the tranquility of the occasion was broken by a pneumatic drill in the distance. One mejles guest explained discreetly that any serious matter brought up would get a written reply from the ruler within two days. Those who do not get a turn can come back for the following mejles. Unlike our protocol in the West, the ruler can leave when it suits him, as Sheikh Hamad did after little more than half an hour.

Despite the tradition and formality, the mejles is still partly a social affair and its function is defined by habit. In this sense it is quite unlike the modernity of the Advisory Council. This was set up in May, 1972, three months after the Amendment Movement, as the assumption of power by Sheikh Khalifa is known. The ruler was then Prime Minister and by far the most effective man in the Emirate, and he took over from his cousin, Sheikh Ahmad bin Ali, while the latter was away in Iran on a hunting trip. The bloodless coup turned out to be a smooth transition of power and marked the start of Qatar's economic and political development. As a preliminary to some sort of quasi-democracy at some time in the future, Sheikh Khalifa established a provisional constitution and set up the Advisory Council, initially with 20 appointed members. Their job was to consider matters and make recommendations before new legislation was decreed.

Expanded

The council has since been expanded to 30 members. It has four committees: legislative, finance and economic; public services; foreign affairs$ and domestic affairs. Mr. Qusai el Abadla, Secretary-General of the Council, explained that members may refer social and cultural affairs for discussion but political subjects are brought to the Council only by the Cabinet. The line between political matters and those defined as social, religious or cultural is a fine one but in practice this does not cause any difficulties.

Mr. el Abadla said: "The whole idea of the Council is that the ruler wanted to increase the participation of the people in the running of the country. The provisional Constitution defines three authorities: the Executive, Legislature, and Judiciary. Executive authority is vested in the ruler and includes the Cabinet. Legislative authority encompasses the Advisory Council.

"Until the Amendment Movement everything in Qatar was tribal. Colonialism assumed that it was part of a process of developing democracy. We are still trying to remove the vestiges of colonialism.

"Under the new Constitution the apparatus of State was set up facilitating the start of development. The council, which sits in session eight months of the year, is for the moment only for appointed members, but there is a constitutional provision for elections in the future."

The Secretary-General agreed that the council was limited by the provision that political issues could be passed down to the floor for discussion from above but not introduced by the members themselves. But he pointed to three measures initiated by the Advisory Council in the past year. These were: persuading the Government to set up health centres in villages starting this year; agreement to start a kidney centre within the health service; expansion of publicly-built housing for ownership by Qatari citizens of limited means.

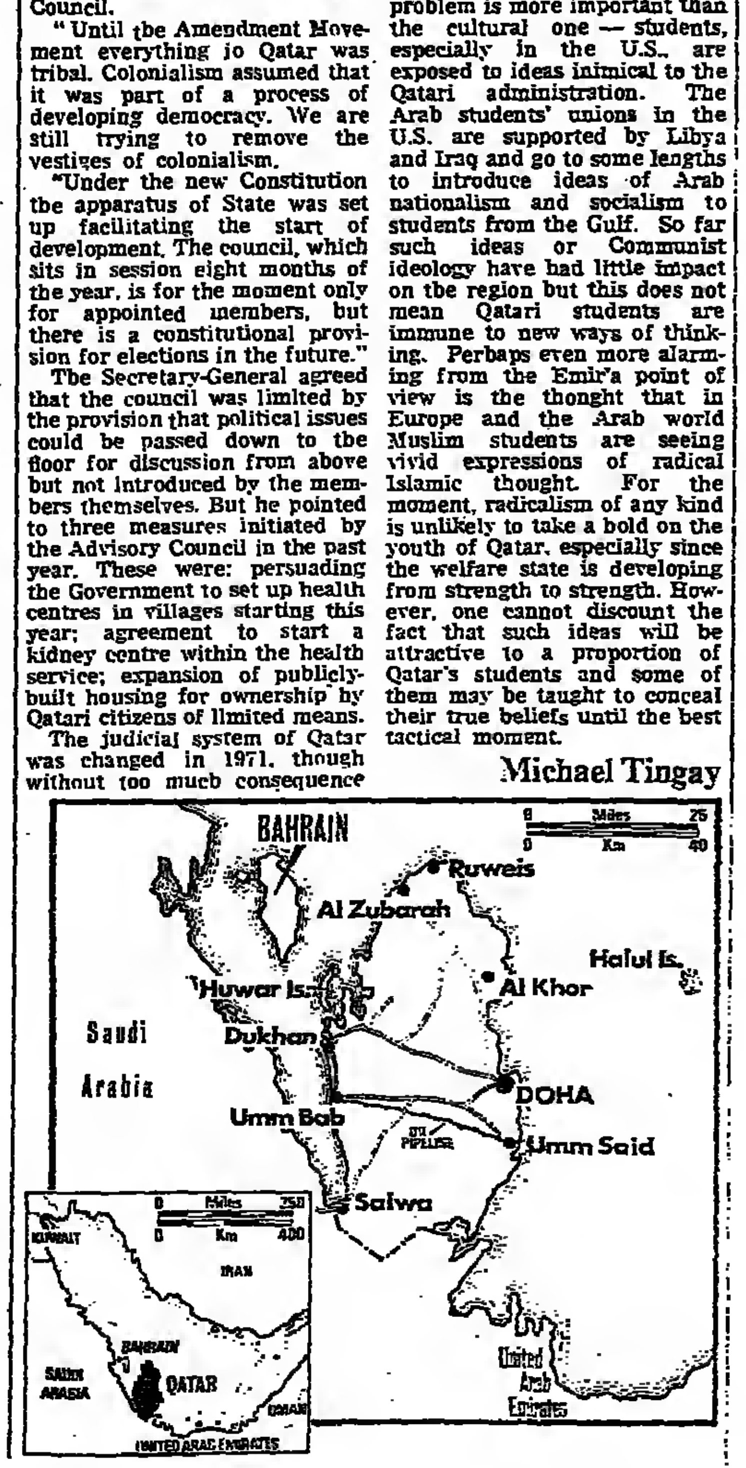
The judicial system of Qatar was changed in 1971, though without too much consequence until the following year when Sheikh Khalifa came to power. During the British administration tribal and Qatari matters had been dealt with almost exclusively by tribal custom and Sharia law. After independence civil courts were established and developed, drawing from Egyptian and other Arab codes as well as European practice. Qatar now has a number of lower courts and a Court of Appeal at which Mr. el Abadla, a Palestinian by birth, also sits as a judge. All matters except personal law would now normally be dealt with according to the civil code.

The merchant class of Qatar has been sending its children for education abroad for many years. Likewise the ruling family has often sent its youngsters to Beirut or Cairo for further education. It is only in recent years, however, that a wide spectrum of Qatari youth has been sent abroad—Cairo and Copenhagen, to Paris and London, New York and Los Angeles. Returning students are supposed to work in the administration for four years if the Government has financed their studies.

For the moment any friction has been dissipated by the large number of gaps in the administration to the filled. But the flow of students returning from abroad is increasing each year and one can expect friction to develop as those who administer the country are confronted with those who believe they should run the country. When a Qatari returns with qualifications it is natural that he wants to apply these. He does not want to enter a job below the rank of someone unqualified (in his eyes). But if he is put in above a less-educated Qatari who has done a reasonable job for many years the two men are unlikely to regard each other with equanimity.

Returning students may leave the administration and go into business but this will not exempt them from strong feelings about how the country is run. The political angle to this problem is more important than the cultural one — students, especially in the U.S., are exposed to ideas inimical to the Qatari administration. The Arab students' unions in the U.S. are supported by Libya and Iraq and go to some lengths to introduce ideas of Arab nationalism and socialism to students from the Gulf. So far such ideas or Communist ideology have had little impact on the region but this does not mean Qatari students are immune to new ways of thinking. Perhaps even more alarming from the Emir's point of view is the thought that in Europe and the Arab world Muslim students are seeing vivid expressions of radical Islamic thought. For the moment, radicalism of any kind is unlikely to take a hold on the youth of Qatar, especially since the welfare state is developing from strength to strength. However, one cannot discount the fact that such ideas will be attractive to a proportion of Qatar's students and some of them may be taught to conceal their true beliefs until the best tactical moment.

Michael Tingay



Education spending begins to pay off

LIKE A minority of other Gulf citizens, the Qatari is a privileged person. From the time of hirth in a free hospital, he can he educated, housed, subsidised and even clothed by his Government. When a Qatari goes to university, he receives a salary, a hndget for books and even a clothing allowance. If he wants to start a business he gets help from his Government, and when be works, the numerous allowances for children, wives and even car expenses bump up his monthly salary considerahly. And when be reaches old age or a woman is widowed, a handsome wage is paid.

A Qatari university nndergraduate studying in the United States, for example, receives a minimum of US$650 a month, his college fees are paid, all insurance and medical expenses are covered, a minimum of US$635 is provided for hooks and US$588 a year is paid as a "dress allowance." Nor do Qataris have to nndergo the rigours of college dormitories, for their emhassies ahroad ensure that they do not have to share qnarters, and that each Qatari has his own private room. "They are not nsed to it at home, so why should we ask them to do it when they are overseas studying," an edncation Ministry official explained.

Qatar, perhaps more than any other Gulf State, prepares a welcome for its returned students to ensure that they slip easily once again into their own society. Senior Qatari Government staff with degrees are entitled to live in specific "up class" areas, and loans are given to help them build a villa to their own style and taste. A loan of up to QR 500,000 is available and a site in the prestige West Bay quarter has been specifically marked out for the returnees.

Approved

They can choose from any one of 24 designs for villas, appoint any local contractor from the Government's approved list and proceed to build their own home. The last QR 100,000 of the loan is written off by the Government and another QR 30,000 is available for furnishings.

Money allocated to the edncation budget appears to have been carefully and wisely spent. The Qatari education system is currently taking in nearly 36,000 students, of which 70 per cent are estimated to be Qataris. And nnlike other Gulf states, the drop-out level for male nationals is only 1.5 per cent per year. For girls it is even less. Education officials feel that the reason for this is that there is nothing to drop out to, for although there is no compulsory education in Qatar, the government sets relatively stringent standards for potential government employees. To enter the Civil Service, Qataris must have been edncated up to the third grade. Nor does the government allow expensively-educated Qataris to filter out to the private sector when they return, for the law requires that every student who has been financed through studies must put in a minimum of five yaars' work for the Government.

Rethinking

At the higher edncation level, the Ministry is rethinking its policy of sending students antomatically to foreign universities. In the past high school students aged 18 were sent overseas, causing a number of problems such as emotional stress, loneliness and culture shock. Long periods of education overseas also caused problems for returned students readjusting to Qatari society. The Education Ministry is now trying to educate as many as possible at home in the fledgling Doha University—its longest yet educational project—and to co-ordinate other educational requirements with nearby Gulf states.

The Gulf States dropped the idea of establishing one common university for the Gulf over two years ago. However, the level of co-ordination between them has been stepped up, so that individual states will offer particular facilities in subjects beneficial to their own economies. So Abu Dhabi will act as the centre for agricultural studies at its Al Ain University, Bahrain will offer medical studies, and Qatar will provide an engineering faculty.

The decision to create an engineering faculty has yet to be taken, for Qatar is still in the throes of launching Doha University. At the moment the existing facilities are housed in former elementary schols, but in four years' time the campus will move to a new QR1bn home. The new university has been designed by Unesco architects and will be built in pre-cast modular units. Steel for the project will come from Qatar's own steel mill and the cement from the local comapny. Eventually, 4,000 students will use it, 70 per cent of whom must be Qataris.

The traffic in students going overseas inevitably will continue, say education officials. The present nniversity of 1,208 students offers only four faculties — educational studies for the training of teachers, a humanities and social sciences faculty, a college for Islamic studies, and a science faculty. High school pupils who wish to study in these fields must now first pass through Doha University before going on to post-graduate studies. However, students opting for other courses will continue to go overseas. Doha University will also cater for those girls whose families would not allow their daughters to go overseas for edncation.

Higher education is proving immensely popular among Qatari girls because for many it is the only way of leaving their houses. Already there is a preponderance of girls in the university, and the professsors feel it is likely that this trend will continue when they move into the new campus. As yet no decision has been taken on whether to provide facilities for post-graduate studies for girl students. The question has become a controversial talking point between those segments of the population who take a more traditional approach to women's education and those who feel higher education for girls is an inevitable sign of progress.

Qataris, in comparison with their Gulf compatriots, are very education-conscious, for about 10 per cent of all high school students go on to university. Academic standards bave proved a problem to the existing university, for the first few years were marked by many failures and repetition of courses by large numbers of students. Grade "A" students constitute only 5 per cent of any class, and the vast majority lie in D and E categories, say professors.

The university's vice-president, Dr. Jabr abd al Hameed al Jaber, comments: "We should not talk about good or bad universities, foreign or home-grown. We want most of our pupils to study at home in an Islamic environment, but we realise that for technological studies, the environment overseas is richer.

Different

"But running a university in a developing country is a very different task to that in a developed society. Our task is to raise the standard of higher education for all Qataris, not to create a facility for the elitist few who will get on anyway. Besides, standards have improved remarkably in the past three years, and it is a continuing process."

The new Doha University will be the apex of the education system, but at lower levels, equally ambitious plans are under way.

Tha Ministry has drawn up a 10-yaar master plan which begins this year to improve snd expand the lower levels of education. In that period 156 new schools are to be built, each at a cost of QR10m. Of the total, 57 are to be in Doha and 99 in the suburbs and the desert villages. The majority of the new schools, 83, will be for girls.

Kathleen Bishtawi

An enviable health service

LIKE QATAR'S education field, the public health service has its one prestige project, the new Hamad General Hospital, which is due to open shortly. The new hospital, equipped with 600 beds and eight operating theatres, has been built by Bernard Sunley and designed by Llewellyn-Davies. It has cost an estimated QR 400m to build and equip and is expected to employ 1,800 staff, 200 of whom will be doctors.

Because of the size and staffing requirements of the new hospital, the Ministry of Health in Qatar is still undecided on how best it should be run. One option that does not find favour among ministry officials is that they hand it over lock stock and barrel to a private hospital management company. Such a step would not allow the Government health service to grow, and learn from its experience, officials feel. "Companies never point out where you are going wrong, and ultimately they only have their relations with the Government, and of course profit at heart."

Options

There are a number of options. One under consideration is that the hospital's support services, such as catering, be contracted out to a private company while the professional side be handled by the Ministry itself. Another is that the Ministry hand over management of the hospital to another foreign government health service. Already Denmark's National Health Board has offered to do this job and the North-West Health District Authority in Britain has made a similar proposal. The decision is expected soon.

Even together with the existing Rumeillah hospital, the Hamad Hospital does not offer all required specialities or consultants, and Ministry officials believe it is inevitable that the traffic in patients to London continue, until the Gulf States finally come to an arrangement on sharing facilities. Following the recent health ministers' conference in Muscat, some tentative discussion has been centring around the possibilities of certain countries specialising in certain fields. Saudi Arabia, for example, has offered facilities in open heart surgery and its Al Khobar unit may provide equipment necessary for radio-therapy.

Both the United Arab Emirates and Kuwait have surplus hospital capacity, and further discussions are to be held on how best the excess can be used to provide certain specialist facilities presently lacking in Gulf hospitals. At the moment there are still gaps in the fields of neuro-surgery, deep radio therapy and transplants. The Gulf ministries of health are also considering the possibilities that patients receive treatment free or at minimal cost in any of the units in the region. The ultimate aim is to have an interchangeable health system, so that less use is made of the expensive facilities in London.

Lessening

Already, the traffic to London by Qataris is lessening. Last year, fewer than 300 patients travelled to Britain for treatment—one tenth of what it was before. Permissions for foreign treatment have now become more difficult to secure, and all applications have to pass through a Qatari medical board to ensure that the domestic health service cannot provide the necessary facilities for treatment. However, treatment of rare illnesses or sophisticated exploratory examinations will continue to be done in London, say officials.

Qatar's Health Ministry is also building up its primary health care system throughout the country. A number of health care centres where primary care can be administered are being established in the remote outlying villages for the people of the interior. Each centre, it is planned, will have about six doctors, and it is hoped that the services there will develop in the same way as general practices in Britain. The ambition is not only to lighten the load on the city hospitals, but also to introduce health education and preventive care to the local bedouin in the villages. This, officials feel, is just as important as the establishment of large sophisticated hospitals in the city.

K.B.

Adding value to the oil product

ATAR'S LEADERS have since independence been confronted with the task of establishing a viable successor to oil as the nation's chief paymaster before the fields run dry early next century. They opted for industrialisation not least because of the absence of alternatives. Qatar will never be, either alone, or with its Gulf neighbours, a major industrial power. It has no need to be one. With a population of about 50,000 Qataris and three times as many foreign residents building a country almost from scratch, industry will have to support a manageable number of people in the future. Income proportionately as large as oil revenues will not be needed to sustain the economy once the costly job of building the physical and human infrastructure is completed.

By the same token Qatar's local market for industrial products is tiny. The regional market does not offer a solution to this problem because Qatar's neighbours are also engaged in a struggle to industrialise. Qatar's neighbours, populous or not, are trying to turn themselves into industrial nations. This means that production may be duplicated, making regional marketing even more difficult. Facing the international market is even harder, partly because western industrial suppliers can compete by selling at a loss if they so choose and partly because the Gulf states cannot compete on economies of scale.

Qatar and its neighbours can, however, compete by supplying energy intensive industries with low-cost fuel. With the exception of flour milling, Qatar's entire inventory of basic industries is linked directly to energy. The industrialisation programme due to come on stream in the early 1980s is designed round the exploitation of associated and unassociated gas. The Emirate currently produces fertilisers, cement and steel using gas as a fuel and feedstock. At Umm Said, south of Doha, it is constructing an industrial city which within a few years will produce natural gas liquids, petrochemicals, petroleum products and steel (production of which started last summer). The vestigial city already reflects the multinational character it will have as a result of Qatar's policy of inviting direct foreign participation in industry. The 2,000-plus workers at Umm Said include Japanese, Norwegians, Belgians, British and French.

The single most important reason for the Emirate's industrialisation programme is the fact that no other practical source of value added is available. Development of industries is also the only way Qatar can increase the number of jobs. Production of crude oil provides only 1,000 jobs directly in a country where only one-fifth of the labour force is Qatari. Dr. Said Mishal, head of Qatar's Industrial Technical Development Centre (*ITDC*) hopes that current projects will create jobs for about 5,000 people directly, plus a further 5,000 indirectly. Apart from the expansion of basic industry Dr. Mishal is examining prospects for development of light industry as a means of expanding the employment base. Qatar would like to create an economy which eventually employs a majority of Qataris in the labour force, though it is accepted that light industry will have to be closely co-ordinated with the rest of the Gulf and may not be a means of achieving this aim.

Studies

ITDC is preparing a series of feasibility studies for light industry. *Fields under scrutiny* are building blocks, tiles, asbestos slabs, various paper products, paints, detergents, vegetable oils, cosmetics, pipes, plastics, glassware, tyres, batteries, airconditioners and coolers. It is accepted that conditions are not ideal because the local market is so tiny and because neighbouring Gulf states are themselves looking at light industry with an eye to the regional market. However, Dr. Mishal believes that the Gulf Organisation for Industrial Co-ordination, established two years ago and headquartered in Doha, will be able to steer Qatar and other Emirates in the right direction.

Spending on the industrialisation programme will reach QR 8.5bn, including infrastructure, by the early 1980s. The cabinet hopes that revenue from this outlay will begin to flow by 1985. By the middle of the following decade it is hoped that income from industries will represent a fifth of Qatar's earnings. (Oil revenue should remain at the present level because falling oil exports should be compensated by increased crude prices.)

Whether or not Qatari industry will be able to deliver as much income will depend on the accuracy of the sums of the past few years. Profitability of a plant depends on the quality of the *feasibility study*. Such studies in Third World countries often fall down because costings and world market movements are difficult to predict. Few market experts expect to be able to predict the fluctuations in the more sensitive commodities further than six months ahead, but for Qatar's industrial plans to bear fruit horizons of 10 and 20 years need to be considered.

Qatar's steel mill, which came on *stream last year and is currently* building up production towards its target of 400,000 tons a year by 1980, has already been the subject of some internal debate over its costings. Costs have risen for a variety of reasons, not least the higher interest rates on loans for the plant. The Emir has set up a technical committee to report on the operations of the Qatar Steel Company (*QASCO*) which owns the mill and has imposed a temporary tariff of 20 per cent on all imports of reinforcing bars and steel bars. The tariff will remain in force at least until the committee delivers its recommendations in May, 1979.

The basic details of the Qatar Steel Company are summarised quite easily. QASCO is owned by the State along with Kobe Steel of Japan (20 per cent) and Tokyo Boeki (10 per cent). Kobe had the contract for the design, engineering, equipment supply and commissioning plus a separate eight year management contract. Building and civil engineering work was done by the Tasei Corporation of Japan and the marketing of all steel not used locally is handled under a ten-year contract of Tokyo Boeki. The direct reduction units began operation in August, 1978 using imported iron ore pellets from Brazil and Sweden. The sponge iron produced is mixed with ferro-manganese, ferro-silicon, lime and clinker and spot purchased scrap steel. The two arc furnaces have a capacity of over 400,000 tons a year, but will produce 380,000 tons allowing for maintenance time. The molten steel produced goes through continuous casting machines, which produce billets which go through a rolling mill to emerge as reinforcing bars.

Exports

Original calculations (now under review by the Emir's technical committee) allowed for 30 per cent local consumption and sizeable exports to *Saudi Arabia and Abu Dhabi*. Original costs were set in the comfortable knowledge that the Government could sell cheap inputs at whatever point it wished since it is the supplier of gas, electricity and water. (Gas at 20 cents per million BTU is very cheap and water at $2.50 a gallon is very expensive). Cheap inputs showed that steel could be produced at world market prices. But increased interest payments on borrowed money (QASCO's share of a Government $350m Euro-loan and a further $100m Euroloan in June, 1978) have pushed up running costs. *Calculations showed an operating* profit of $15m for 1979 rising to more than $40m by 1988.

Questions about the steel export market have been rather pre-empted by the appointment of the technical committee. The *Gulf* is an importer of steel, especially construction steels, and QASCO is the first producer in the immediate region, but the viability of the export market depends on whether steel is produced at a profit. Alterations in costs and ultimate profitability of the venture await the verdict and decisions of committee.

It is accepted locally that industries will have their teething troubles as Qatar follows the path towards industrialisation. The problems of Qatar Fertiliser Company (Qatar General Petroleum Company 70 per cent, Norsk Hydro 25 per cent, Davy Power Gas 3 per cent, Hambros Bank 2 per cent). QAFCO as it is known, confirm this belief. QAFCO started production in 1973 and embarked on four years of successive *technical failures*, culminating in the breakdown in 1977 of the steam heating system. This sent ammonia production down to less than half capacity, with urea faring only slightly better. (Ammonia capacity is 297,000 tons a year, urea 330,000 tons/year using associated gas for fuel and feedstock.) Despite the long list of problems which led QAFCO into losses in the early years, the costings for the original feasibility study were sound. Norsk Hydro, the Norwegian company which manages the plant and markets the produce, worked on a basis of urea at $145 per ton on world markets. The world price rise to $544 per ton, with sales mainly to the Indian sub-continent, more than compensated for the higher costs due to technical problems, and the company is now profitable. The Government is naturally much happier about expansion of the plant, which will bring total costs for the fertiliser production to QR 1,320bn when it is completed.

One of the characteristics of Qatar's industrial programme is the involvement of foreign companies directly in the production and marketing and ownership (*usually with a small shareholding in the company*). It makes good sense for a small Government to acquire its expertise in this way. It also means that it is in the interest of the foreign concern that the Qatari company make a profit. Norsk Hydro has been able to dovetail the Qatar operation into its Asian markets. Its 25 per cent shareholding guaranteed that feasibility studies and costings would be carried out with the same scrutiny as in Western Europe.

Expertise and skills in international marketing are likewise the key to the petrochemical complex currently under construction at Umm Said. Qatar Petrochemical Company (QAPO) was set up in 1974 when Qatar and many other countries had become conscious of the wastage of natural gas. (It is little appreciated in the West that one of the costs to oil producers of meeting the west's demand for petroleum is the wastage of associated gas through flaring.)

The original QAPO project involved three partners: Government of Qatar (80 per cent), Societe Chimique des Charbonages (CDF Chimie) (15 per cent), Gazocean (5 per cent) who would produce 280,000 tons a year of ethylene from 400,000 tons of ethane. Half of this was to be made into low density polyethylene (LDPE)—the *stuff* common or garden plastic bags are made of. The rest became the cause of a dispute. Qatar decided it wanted to produce another second generation product, while Gazocean had only come into the deal because it assumed it would profit from transporting ethylene for transformation elsewhere. The Government decided it did not want to export the ethylene gas to allow someone else to benefit from value added elsewhere.

Gazocean dropped out and in 1976 its shares were distributed among the other partners, creating the present composition of Qatar General Petroleum Corporation (the Government-owned QGPC) holding 84 per cent and CRF Chimie 16 per cent.

The project is still based on *the original plan, but* the product to be made in Qatar from the remaining 140,000 tons of ethylene has yet to be determined. Work is continuing and completion date is scheduled for 1980 to coincide with the availability of natural gas liquids at the Umm Said complex.

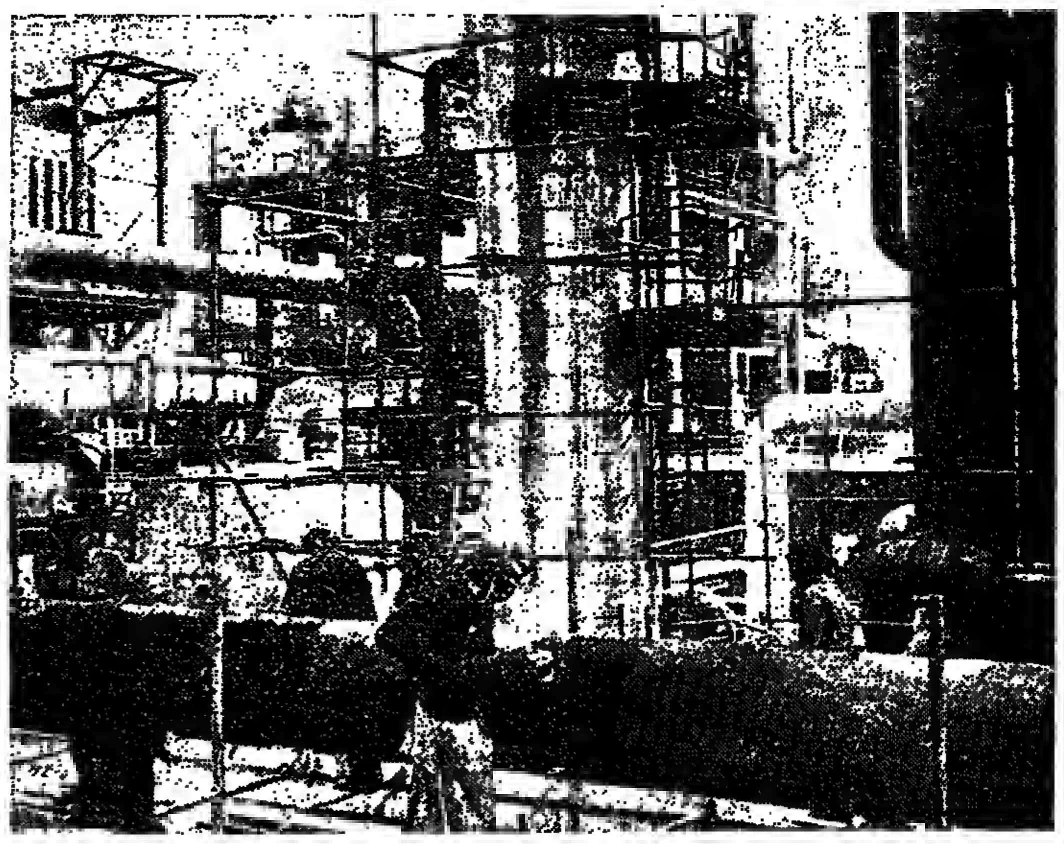
The great fear of industrialists in the Gulf is that they will be squeezed out by avaricious Western companies anxious to maintain near monopolies of the world market. This is not likely to happen to Qatar petrochemicals because of unique arrangements it has made with France. Not only does CDF Chimie have a shareholder's stake in the success of QAPCO and will apply its expertise to the marketing problem, but the Qatar Government is also a shareholder in a joint venture petrochemical company in France. The parallel venture is Compagnie Petrochemique du Nord, COPENOR, set up in Dunkirk in 1975. COPENOR is owned 40 per cent by QGPC and 60 per cent by the French company.

The first ethylene was produced in Dunkirk in December, when the plant came on stream after only 2½ years. Production will rise to 225,000 tons a year of ethylene and 140,000 tons of LDPE. While Qataris are working and training at the plant in France, the first small bag of ethylene crystals is already displayed in the Doha office of QAPCO General Manager, M. Charles Rouxel.

M. Rouxel excels in his knowledge of world markets hazards in petrochemical products. He is optimistic about QAPCO but realistic about the unpredictability of the world market. He explained, "When the market is *strong analysts* will agree to any project. When it is depressed they say no projects should go ahead. Projects of this kind require horizons of 15 years but in this field no one can even see five years ahead. The Qatar plant, however, is unique. In the area there is no ethylene plant or LDPE plant working or about to come on stream. QAPCO will be the first."

What M. Rouxel did not refer to was the benefit which Qatar will obviously get from pre-marketing of the identical product from France during the period while the Umm Said project is coming on stream. Not only has Qatar sidestepped the problem of competition from the west by linking itself *with a western company, it is* going to be able fully to test its markets with the Franco-Qatari product. This could be regarded as Qatar's secret weapon against the oft-spoken "dumping" of products from the West.

M.T.



The extension to the QAFCO fertiliser plant at Umm Said will be completed this year at a cost of QR936m. The ammonia plant is being constructed by Richard Costain Process Engineering and the urea plant by Chiyoda

Gas reserves pose some problems

IN THE Muslim world belief that virtue is rewarded and that God will provide has firm foundations. Not long after Qatar had decided to eliminate wastage of its gas related to its oil production and just when planners might have entertained doubts on the capacity of limited oil supplies to project the Emirate to a more diversified economy, the country was blessed with bountiful discoveries of non-associated natural gas.

Reserves of gas in the North West Dome, the submarine field in the north of the main offshore oil concession area, are estimated at more than 70 trillion (10^{12}) cubic feet. Such superlatives are hard to visualise but the field is the same size as the Netherlands Groningen gas field which is one of the bastions of the Dutch economy.

So large is the gas find that its significance has been appreciated by few people in Qatar. Its development poses a problem for the limited economy of this rich state. Decisions about how best to exploit the field have not yet been made. The scale is such that meaningful development would cost more than the total annual oil income of the Emirate. The Emir, Sheikh Khalifa, refuses to be rushed into a hasty decision which might upset the balance of carefully-constrained development objectives.

Luck may be with the Qataris for gas development of the future but it was absent in the recent past. In 1977 the natural gas liquids plant at Umm Said (NGL 1) was destroyed by fire less than two years after it opened. Natural liquid gas is the source of a number of products: natural gasoline, liquid petroleum gas (LPG) and so-called "tail" gas. LPG gives propane and butane in liquid form; tail gas renders ethane (for petrochemical processes) and methane (used as fuel for Doha power station and Umm Bab cement plant). NGL 1 utilised associated gas from the Dukhan oilfields in the west and eliminated the need to flare gas. The plant's destruction meant a return to wasteful burning of the liquids.

Despite the disaster, the revised timetable for maximum use of gas resources is smoothly geared. Non-associated gas under the Dukhan fields in a zone known as the Khuff layer is already used as fuel for small power generators. This year should see completion of a new pipeline network which will provide greater volumes of gas for the steel plant as it expands and supply the Ras Abu Fontas electric power and water desalination plant.

Pipeline

Early in 1980 NGL 2 should be operating and linked to a pipeline bringing associated gas from the offshore oil wells, which will become a major source of feedstock. This plant will provide natural gas liquids for export and ethane for the Qatar Petrochemical Company (QAPCO) plant, also at Umm Said. A year later the NGL 1 unit should have been rebuilt to provide more ethane. As originally planned, NGL 1 will use associated gas from onshore fields in the west and non-associated gas if needed.

Qatar looks forward to considerable expansion of gas usage over the next five years as the industrial and power projects under construction are completed. The Khuff gas pipeline network will be able to deliver up to 600 mcfd. Production of associated gas is, of course, limited by levels of oil production. (The increase in 1978 when oil production rose by 15 per cent is reflected in Table 1.) Oil production is scheduled to rise again in 1979 with a parallel increase in volumes of associated gas.

The Qatari authorities are taking a conservative approach to the discovery of the huge North West Dome gas field.

Since, in any case, the field could not be quickly exploited as a source of foreign currency, the Government is content to raise extra revenues for existing commitments by slowly pushing up oil production. In fact, development of the field would cost more than Qatar has in reserves and more than it would be willing for the moment to borrow.

Dr. Said Mishal, who heads the Industrial and Technical Development Centre (ITDC) speaks of the North West Dome in terms of the three different uses to which the gas can be put: liquid natural gas for export; supplementing present needs for industry and more diversified petro-chemical production; and additional power generation and water desalination.

The development problem posed by the field is substantial in Qatar's limited economy. And with Qatar's tiny population and already substantial plans for development of heavy industry, there are strict limits to the volumes of gas which could be used domestically. Dr. Mishal said: "If we were to develop the North West Dome field for power and water production—which is our main use for associated gas—and for supplementary industrial use in the 1980s, we would need to remove 300-500m cubic feet a day."

The scale of North West Dome can be put into perspective at this point. At this level of exploitation reserves of 3 trillion cubic feet would ensure supplies for 20 years. Thirty trillion cubic feet would last 200 years. North West Dome contains an estimated 72 trillion cubic feet which would last 500 years if it were put only to domestic use. Such exploitation would not even scratch the surface of the resource. However, the economies of export development of natural gas in liquid form are beyond the means of a small economy. Liquid natural gas exploitation is normally considered in units of 400m cubic feet a day. Such a unit is called a "train." QGPC and Shell have made a preliminary study of costs and three trains totalling 1,200 mcfd would cost $1bn without shipping costs at 1978 prices. The pre-selling process in LNG takes so long—the customer has to be sure the gas will really arrive—that costs probably would total $4bn excluding shipping costs by the time the project could be realised. Returns on this vast capital outlay are small, currently $2 a barrel for LNG compared to $15 a barrel for oil.

Marketing

If capital costs are one problem, marketing is another. There are three markets in the world for LNG: Western Europe, U.S. and Japan. The U.S. commitment with Algeria and European eyes on supplies nearer home mean that the good bet for Qatar would be Japan. The Japanese already have shown their interest in LNG as an energy source having completed a deal in Brunei. Japan also intends to take LNG from Sarawak which is soon to build an LNG plant. However, Dutch gas piped to West Germany, Belgium, France, Italy and Switzerland will last only until the 1990s and the European market cannot be dismissed out of hand.

M.T.

GAS PRODUCTION
(million cubic feet per day)

	1977	1978
Khuff	200 mcfd	224
Associated	224	247

Structural priorities well thought out

IN CONVERSATIONS with the Emir's advisers on infrastructure one word which constantly turns up in discussions is "prioritisation." In the last two years, Qatar has undergone a good deal of rethinking of its priorities in development and has as a result avoided the more showy symbols of oil wealth.

Instead of building a prestigious new airport for example, it decided to expand the existing modest terminal at a cost of QR 75m. Qatar has also resisted the temptation to build more shipping berths, and has opted to make do with the present facilities it has at Umm Said and Doha port. Conversely, it decided to go ahead with other such socially beneficial projects such as the huge QR 1bn Doha University.

Planning of the economy and its development is still largely in the hands of the Emir, Sheikh Khalifa, and a small team of advisers, for the country has no planning ministry. Yet for all its leanness, the administration seems to work just as well as any larger bureaucracy could in the Gulf. There are still bottlenecks, particularly in the fields of electricity and water distribution, and this summer is likely to be the first when there are no cuts in either. The administration is gradually keeping up with the demands of a growing population, and is now drawing up a master plan for development.

Consumption

In a country where summer temperatures can soar above 45°C, it is hardly surprising that Qatar has one of the highest consumption rates of electricity in the world. Each room in a Doha house is likely to have a heavy-duty air conditioning unit buzzing away 24 hours a day, for without it life all but stops. Consumer habits have become lavish, and it is not unknown for residents to go away for the summer vacation, leaving the air conditioning on for weeks at a time. Switched off the interior walls soon take on a delicate shade of green and the paint peels away for the Gulf is not only hot, it has one of the most humid climates in the world.

Keeping up with this kind of demand and the growth in the resident population has proved a multi-billion dollar task for the Government. Demand for electricity is growing by 27 per cent a year and since 1975 it has more than doubled. The most costly factor in the provision of electricity is that in summer months demand will be almost seven times what it is in winter.

Qatar is now approaching the tail end of its largest power generating projects, the Ras Abu Fontas power station which will, when complete next year, have cost over $242m. Ras Abu Fontas already has operating two 40 MW turbines from Kraftwerk Union and four from Mitsubishi, giving a total capacity of 304 MW. Next to come on stream are two smaller emergency generators from Fiat TTG of Italy (of 13 MW capacity) which will be commissioned in March this year. In April, June and September, three 44 MW turbines also from Kraftwerk Union will come into operation. The two remaining larger turbines from Mitsubishi are due to be ready for the summer of 1980, when phase III of this massive station will finally be complete. Final capacity of Ras Abu Fontas is 618 MW.

Consultant throughout the project was the British company Ewbank and Partners. Together with the now completed Ras Abu Aboud plant, total capacity will amount to 828 MW by 1980. By that time peak demand will be estimated to be around 620 MW.

Even before Ras Abu Fontas Stage III has been completed Qatar's electricity department is looking ahead to possible future demand in the 1984-85 period. First priority is to bring electricity to the whole country. Previously the desert villages had to rely on diesel generators. Substations are being built in the interior at Abu Thailah and Al Jifarah in the north and probably at Abu Samra in the South, to provide the dozens of villages there with electricity.

Assessing demand in Doha and Umm Said where a population is expected to reach 20,000, has proved a hazardous task for the country's electricity planners. In making provision Umm Said, for example, the department has to make sure that electricity provision is made on time for the industries to get underway as soon as they are complete. Last year, demand was raised because the steel mill came on stream at Umm Said, absorbing 76 MW.

Industry, the electricity department believes, will only absorb one third of total demand. Original projections on domestic consumption have been scaled down, for cutbacks in Government expenditure have meant that fewer new people are coming to live in Doha, and fewer projects are coming into operation in the city itself. Based on previous reports from the town planners and projected industrial needs, peak demand in 1979 was originally estimated to be round the 640 MW mark, but this has now been cut back to 480 MW. Current figures therefore put future peak demand during peak periods as follows: 620 MW in 1980, 800 MW by 1981, 1,000 MW by 1982 rising to 1,400 MW by 1984.

Another

What is clearly apparent is that yet another power station is needed if Qatar is to stay abreast of its electricity requirements in the 1980s. The planners are already talking about a 1,000 MW station which would cost in the region of QR 2bn (equivalent to the total cost of the Ras Abu Fontas and Ras Abu Aboud put together). The first phase to create 300 MW is priced very approximately at QR 500m. The department is presently considering a gas and steam turbine combination and a desalination plant so that fuel can be used more efficiently.

In the meantime, the department is pushing ahead on the painstaking task of distribution, which alone absorbs an annual expenditure of QR 200m. Shortages of labour and materials has caused a backlog of applications for new connections. The problem has been somewhat eased by the requirement of private sector property developers to secure building permits before beginning construction on new accommodation. Permits are not issued until approved by the department, whereas earlier property developers were building with little regard for the provision of supply. Laying cables in the country also costs about twice as much as in Europe, merely because of the country's terrain. The rocky soil has not proved a good heat conductor, and to protect the underground cables from overheating special sands have to be used to fill in the surrounding soil around the cables. The cables themselves also have to be larger because of this problem.

One of the causes of high consumption of electricity and water is that the cost is subsidised to residents, and for Qataris, supplied entirely free. The fact that electricity is still provided free to nationals encourages some to light every surrounding wall, plant and fountain in their gardens at night, besides leaving their air conditioning on in summer.

The lavish consumption has also caused problems with water supply, for Qatar has only this year caught up with demand. The country has almost no surface water supply, although its desert wells provide it with a miraculous 3m gallons a day, which is mainly used to mix with water from the massive desalination plants.

With the completion of Ras Abu Fontas potential supply from this, the largest plant, is already around 10m gallons a day. Together with Ras Abu Aboud, which has the original plant built in Doha, potential supply for the country is around 20m gallons a day. When all eight distillers are in operation at Ras Abu Fontas, the output of the plant will be around 32m gallons a day, which is already above present industrial and domestic demand.

Although the capacity of the plants is adequate, water distribution is something of a race against time. Still only 40 per cent of the population of Doha receive their water supplies direct from the mains. Capital expenditure on distribution this year absorbs around QR 346m. Assessing future demand is also a difficult task, not only because it is hard to guess the future size of the foreign population, but also because the habit of families splitting up into separate houses is becoming increasingly common among Qataris.

Despite the shortage of water, Qatar residents are not discouraged from frequent car washings, continuous watering of the garden and several showers a day. The average Qatari household will consume around 100 gallons of water per

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Oilfields approach middle age

QATAR IS one of the world's smaller oil producers. It owes its status as an oil rich Emirate more to the absence of people on whom to spend its income than to the extent of its oil field. It has low reserves and production will begin to dip at the end of the next decade.

Exports of oil will decline as the offshore and onshore fields approach middle age and as domestic consumption, under the burden of industrialisation, rises five-fold by 1990. The last oil price rises will push export revenue over $3bn by 1980 and subsequent price rises will probably compensate for reduced exports in the next decade.

Exploration is continuing offshore but experts do not consider it possible that more than minor finds could be made. Qatar's modest intention is to gear the decline of oil to a steady programme of energy-related industrialisation. However, compensation may be found in the 21st-century when the Emirate joins the club of former oil producers, of which neighbouring Bahrain will soon be a member. By then Qatar could be alongside Algeria as one of the world's leading exporters of natural gas.

The Emirate is officially recognised as having 5.6bn barrels of proven reserves, many times less than its larger neighbours in the Gulf. After some delays, including a change of consultants last year, gaps in the seismic survey of Qatar were filled and a reassessment of reserves completed by December, 1978. Officials say the analysis will soon be made public, but the country is unlikely to shift from its niche with 0.8 per cent of world output and 1.5 per cent of total production by OPEC members.

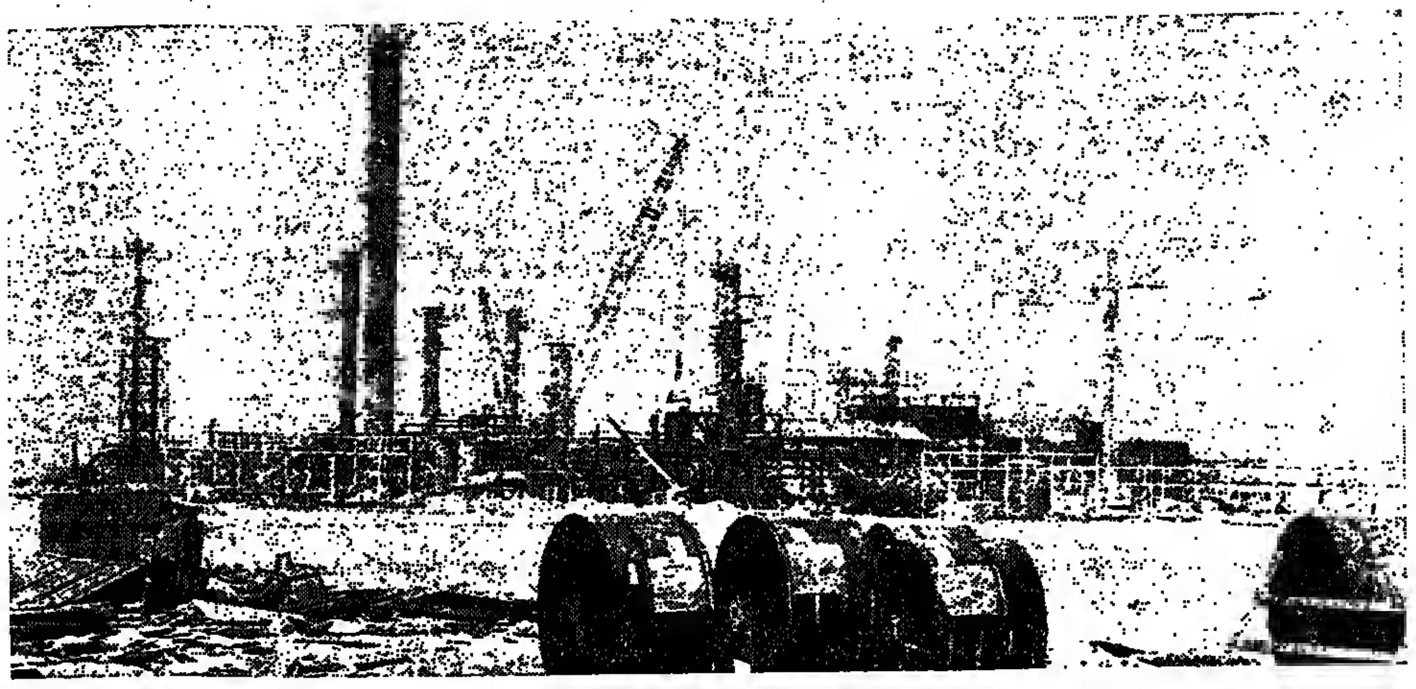
The highest point of Qatar's production was in 1973 when output approaching 600,000 b/d generated revenues measured only in hundreds of millions of dollars. When the need for conservation became more generally realised after the oil price rises, Qatar was one of the first countries to cut back on production in order to make its precious resource last longer.

A "maximum allowable production" was introduced which was always well below the capacity of the fields. Qatar's total capacity is more than 600,000 barrels a day.

In the summer of last year the operating companies were informed that the use of this ceiling would be abandoned. Production schedules are now linked to financial requirements of the State within the limits of optimum output from the wells. Recently this has meant a steady increase in production schedules as Qatar seeks to keep abreast of its financial commitments. These are much higher now that industrial plants are under construction and coming on stream and international interest rates on borrowed money have rocketed. In 1978 crude production rose more than 10 per cent, and this year it will be 7 per cent higher than in 1978 on current projections. (When Sheikh Abdul Aziz al Thani, Minister of finance and Petroleum, said recently that Qatar would not increase production because of the drying up of Iranian crude, he meant that his country would not be stepping up production above the schedules already planned.)

Qatar has two main fields, onshore in the east of the Peninsula at Dukhan and offshore to the east and north of the land mass. As a successful water injection programme got underway in 1978, Dukhan production accounted for the bulk of the extra oil. This year and next the offshore fields will produce the greatest rise in output.

This boost will actually be the last effort from the offshore fields, which are now approaching late middle age. There are three fields, Idd el-Shargi, Maydan Mahzam and Bul Hanine. In addition Qatar shares with Abu Dhabi a small marine field to the east called Bunduq, which can produce a total of 10,000-20,000 b/d. This means in theory that Qatar can get up to 10,000 b/d to add to its national production. In practice this figure is rarely reached. The field was closed for six months of last year, so its contribution was minimal.



Qatar's first petrochemical plant under construction at Umm Said. It is scheduled for completion by 1980

Qatar can maintain present levels of production for the next few years with careful management of the fields. The water injection programmes have been successful and the entire output of onshore oil comes from clean wells. (A well is unclean when water is produced with the oil. When wells in Dukhan begin to show water as levels rise from the injection programme, the wells are shut down and fresh ones drilled.)

However, by 1988 offshore output will have dropped below 200,000 b/d, one-third down on present production levels. Meanwhile Qatar is geared to a substantial rise in domestic consumption. The small refinery at Umm Said has a capacity of 10,000 b/d. In the past the throughput had been pushed beyond this theoretical figure, but a year ago output was only 7,000 b/d at one point. This is below Qatar's current requirements for certain products. Plans for an export refinery of 150,000 b/d have been quietly shelved because they were considered unrealistic and expensive. A new plan is going forward to produce oil for local needs as they will be in ten years' time. The industrialisation programme and development of the economy mean that domestic consumption will reach 50,000 b/d by 1990, so a refinery of this capacity has been decided on. It will produce the same mix of products, super and ordinary gasoline, kerosene and fuel oil. (The fuel oil is put back into the crude tanks and used in the standard export blend.) The new refinery should be constructed by 1982.

Compensate

Revenues from oil should not drop substantially as price rises compensate for the future decline. It does not seem likely that revenues will drop below the 1979 predicted level of $2.8bn. If a decision is made soon, compensatory revenues could be generated by export of liquid natural gas when the decline of crude production begins. It takes 8-10 years to develop a gas field for LNG because of the complexity of development, financing and marketing arrangements. There is hope that by the late 1980s gas prices will have risen to give a better return on investment. At the moment an LNG system of 1.2bn cubic feet per day capacity would give an equivalent of only 100m barrels a year oil equivalent, with a return of only $2 a barrel.

An exploration programme is continuing. The West German company Wintershall has a 30-year agreement signed six years ago. It is carrying out exploration drilling in an area north and west of Qatar in 9,000 square kilometres relinquished by the Shell Company of Qatar. Holcar, a little known company, is looking in a slightly smaller offshore area to the East of Qatar, where a small field is known to have an unusably high sulphur content. The West German concession in the west includes a sensitive zone which is in dispute with Bahrain. It lies to the north of the Dukhan field alignment. As one oil man pointed out: "If you tell an oil man he can't drill in a certain politically sensitive place he will naturally believe that that must be the place where oil is to be found."

Qatar is determined to make the best use of its dwindling reserves. The programme of recent years has been tailored to getting optimum returns and preserving balance between cash in the hand, converting revenues into industrial output (to get value added from the oil) and leaving the oil in the field to increase in value.

OIL PRODUCTION 1977-80

	1977	1978	1979	1980 (scheduled)
Offshore	232,000	249,000	275,000	295,000
Onshore	200,000	234,000	240,000	230,000
Bund—	10,000	2,500	5,000	5,000
Total production	442,000	485,500	520,000	530,000
Exports	435,000	477,000	510,000	520,000

Preferred

Two years ago Qatar opted to take over all operations completely, as Iraq, Iran, Kuwait and Saudi Arabia have done. It preferred this to the option, chosen by Libya and Abu Dhabi, of permitting the oil companies to maintain a minority stake. Late in 1976 the Government of Qatar became the owner of the Qatar Petroleum Company in Dukhan, and in 1977 it took 100 per cent ownership of Shell's offshore operation. The Qatar General Petroleum Corporation (QGPC) now owns the entire oil and gas industry controlling onshore and offshore oil production through its wholly owned subsidiary Qatar Petroleum Producing Authority (QPPA). The takeover gave the Government 5 per cent more revenue than the previous system by the following means: ownership structure had been 60:40 in favour of Qatar: of the companies' 40 per cent share one fifth went to Qatar in royalties (i.e. 8 per cent of total) leaving the company 32 per cent of the total oil: the Government took another 27 per cent by taxing the companies' oil at 85 per cent [15 per cent of this portion left the company 5 per cent of the total oil]; the takeover meant Qatar picked up this last 5 per cent. The companies (British Petroleum, Royal Dutch Shell, France's CFP-Total, Exxon and Mobil) now get their money in the following way: they get back their costs in full and are paid a fee of 16.7 cents a barrel on the oil they produce. This is part of a five year agreement of which two years have passed. The oil companies are now contractors who buy their oil from the owner like anyone else.

The future, according to Dr. Tahel Hadidi, an Egyptian, one of Qatar's senior oil officials, is quite clear. He says: "The objective is simple. Oil and gas must serve the purpose of making sure that there is a Qatar in the future. The two must be used towards industrialisation for settling the people into a future Qatari economy when the oil is gone."

M.T.

Priorities

CONTINUED FROM PREVIOUS PAGE

day per person, compared with UK average of 30 gallons a day.

Last summer was the first time that Doha had continuous water supply, and this year there is expected to be a surplus in capacity and additional storage. At present storage capacity totals only 20m gallons a day, the equivalent of one day's supply. The margin is narrow, for the major problem the water department faces is that three-quarters of its plant is brand new, and therefore liable to teething problems, and the rest is over 12 years old, and is in need of gradual replacement. The equipment at Ras Abu Aboud has already passed its average life span of nine years. Hence, one of the Government's top priorities is to double the reservoir capacity. The expansion plan is hoped to be completed within the next two years. By this time also, it is hoped that some 90 per cent of Doha town will be connected to the mains and the uncertain method of water delivery by tanker can be gradually phased out.

Nearly 9 per cent of all dwellings in Doha already have a telephone, and the current number of subscribers totals nearly 18,000. A major project underway is a 10,000-line expansion which is to be in service by mid-1980, which is to be followed by another of the same size. Another service strictly for VIPs to be introduced by the Qatar National Telephone Service is a car radio telephone. The company is planning a preliminary system of 1,500 subscribers who will ultimately be able to telephone the U.S., for example, from anywhere in Qatar. The new service will cost an estimated QR 20-30m to introduce.

Telephone

The external services of Qatar which are handled by Cable and Wireless are also undergoing rapid improvement. Direct dialling to the UK was introduced in October and the same facility to Paris is expected to be available in March, followed by the rest of Europe and then the U.S. Inter-Gulf communications are to expand on a large scale when the proposed Gulf submarine cable gets underway. The Gulf cities have been connected by direct dialling for some time, but the new cable will add around 1,800 circuits to ease the congestion which has become apparent. It is also hoped that inter-Gulf telephone calls will become cheaper when the cable is in operation. The consultancy agreement on the project is now under discussion with a number of international companies; and the decision of this QR 50m project is expected within the next two months.

Looking further ahead in the field of Arab communications, Qatari officials are now expecting "Arabsat" to cost 40 per cent more than the original $200m. The traffic study has been finished and approved, and another meeting of Arab ministers is to take place to consider the design for the new satellite.

K.B.

QATAR VIII

Canny policies on building

THE MAIN contract for Qatar's ambitious $260m-plus planned university is now out to tender. The actual value of this part of the project is around $52m and is concerned only with the physical structure of the principal buildings. The closing date for the bids was February 17, and it is hoped that the contract will have been awarded before the end of March.

The contract involves the construction of six two-storey buildings in white pre-cast concrete slabs which have been manufactured in Doha. It does not include any of the electrical mechanical or finishing work. The concrete panels are being mada by the Dutch company, Interbeton, at a Qatar Government-owned factory just 6 km from the university site. Interbeton leased the factory from the Government, initially specifically to manufacture pre-cast concrete panels for the university, which are being stockpiled until construction begins. The approximate valoe of Interbeton's contract is estimated to be about $18m.

The project is being carried out under direct supervision from the Ruler of Qatar's technical office—it is one of its prestige projects. The Government of Qatar has bad the benefit of UNESCO advice on the whole project, a report being submitted in the spring of last year. The architect is Dr. Kamal Kafrawi and consultant engineer to the project since 1975 is the British Ove Arup partnership.

As always the Qatar Government will be looking for the best package offering a fixed price deal and the broad details will be negotiated. Members of the Emir's technical office have apparently been particularly scathing, though mostly in private, about the profit margins contractors were believed to be making on contracts in the Gulf. In Qatar, as elsewhere, there is a strong feeling that Western contractors in particular (the Japanese are counted as Western in this instance) have been taking advantage of the Gulf's sudden wealth to make inordinate profits.

An example of this suspicion of contractors' margins was in the matter of the Sheraton hotel complex. The steel structure stands, a very stark skeleton, at the furthermost extremity of Doha's West Bay, after a suspension of more than a year. When the first bids went in the Emir decided to stop the contract, believing the prices to be too high. Early this month the contract was awarded to the Sonth Korean company, Hyundai Construction, who bid at QR 448m. This bid was considerably lower than the average, which had been around the QR 500m mark. The new hotel will have 425 rooms and a conference facility for 700 people. The complex has been designed by the American firm William L. Pereira Associates, which is overall design consultant for all the West Bay schemes.

Although bid and performance bonds are considered negotiable in Qatar they are not usually very far out of line with the Gulf States' norm of 2-5 per cent bid bonds, 10 per cent performance bonds but with a variable element for retentions.

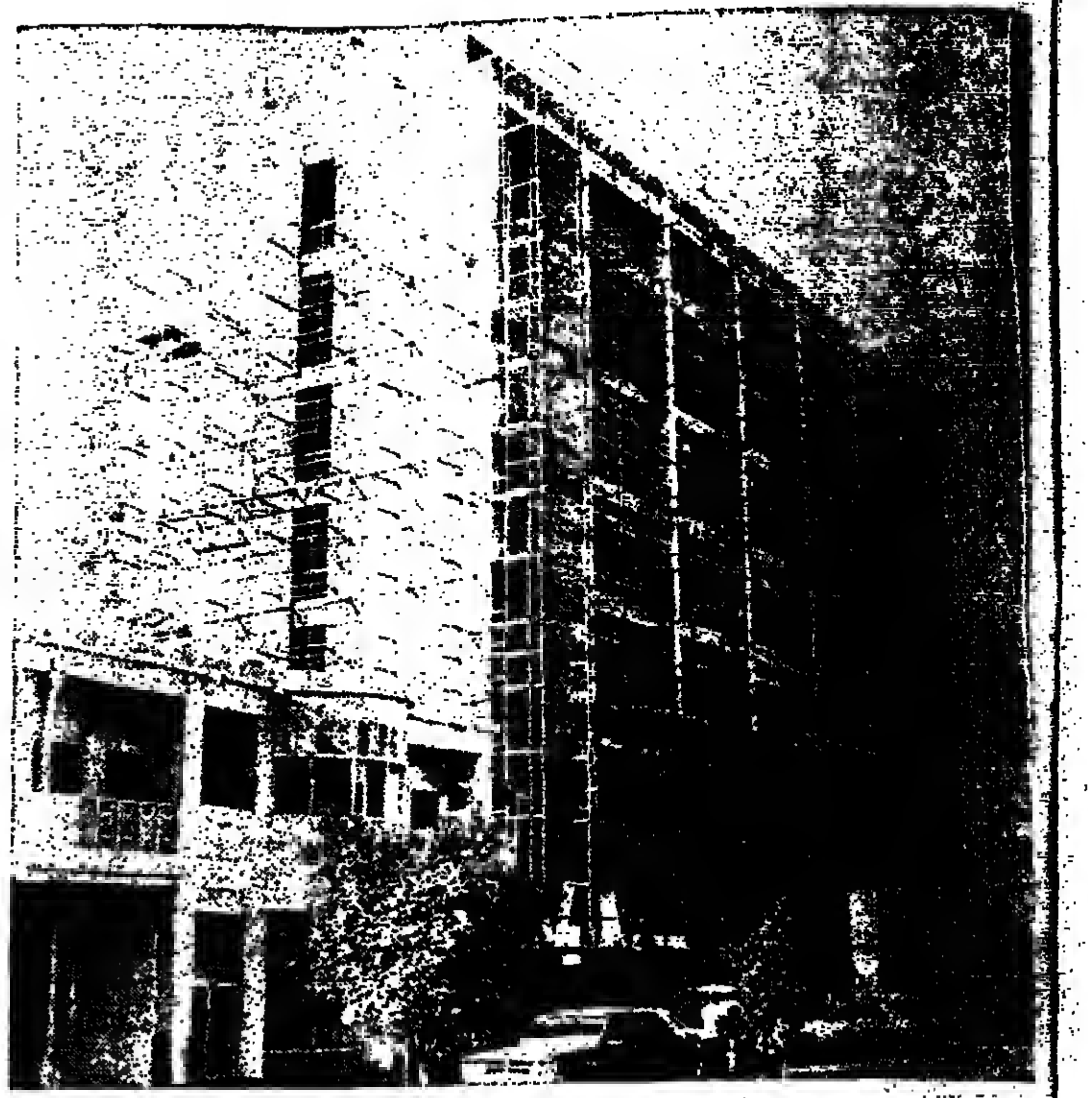
The $50m, 350-room Ramada hotel is rapidly nearing completion. The main contractors on this project, a development of Sheikh Ghanem bin Ali al Thani owner of the superstore Doha Centre on the adjacent site, are Nello L. Teer, while the curtain walling is being put up by Crittall Construction. It is hoped that the hotel will be finished by the end of next May. Sheikh Ghanem's superstore opened in April last year only a few weeks behind schedule. The 80,000 square feet single-storey cruciform-shaped building was designed by Fitch and Co., of the UK.

New developments by the private sector have ebbed over the past 18 months or so as the Gulf-wide "recession" also began to affect Qatar. Most private developers are now concentrating on finishing the projects in hand and finding tenants for the properties. This is also true of the prestige buildings on Doha's Corniche. For over a year now there has been no apparent outward change to the buildings for the Qatar Monetary Agency, the Foreign Affairs Ministry and the Qatar National Bank headquarters to name but three. In the autumn of last year the first signs of landscaping round the buildings could be observed, particularly round the QMA building which is now occupied.

The Government's house-building programme continues steadily with a target of 300 new houses a year in the course of ten years. In the shorter term (three years) it has plans to build over 2,000 houses on a pre-cast concrete system. As well as housing for the lower paid, there are a number of employment-associated housing projects under way in Qatar, mostly at Umm Said, the industrial town where the petrochemical, fertiliser, steel and natural gas liquids plants are situated. Gulf Housing, for example, is building 100 houses for QAPCO and another 90 are being planned; JMJ contractors are completing three four-storey dormitory buildings and some "senior staff" housing for the steel company. (Senior staff housing is usually villa style with at least three bedrooms and some grounds.)

There are few multi-million dollar projects in the offing at the moment, although it is still hoped that the Government will go ahead with the rebuilding of NGL (Natural Gas Liquids) I plant at Umm Said. The NGL II is already being built, largely by Chiyoda and Mitsubishi. The actual processing plant contract is valued at $83m and NGL could be in the same basket.

Doina Thomas



The new headquarters building for the British Bank of the Middle East under construction in Doha

'West End' in the Gulf

A HEAVILY veiled and masked Arab woman floats by, a trail of musk perfume around her. She beads with her giggly sisters straight to the underwear counter and begins fingering the colourful assortment of bras and pants. In the boutique, a Lebanese woman is trying on a $1,500 model dress; in the jungle coffee shop, a group of young Qataris are attempting an air of indifference and boredom over their third round of milkshakes.

The scene is not Knightsbridge or Oxford Street but the Gulf's first department store, in Doha. The centre, as it is locally known, is the first attempt by Arab merchants to hring London-style shopping to their own countries, and the effect on marketing and competition in the tiny town of Doha has been dynamic.

Opened in the spring last year, the Centre is the result of three years' planning between its owner, Sheikh Ghanem bin Ali al Thani, and the Bahrain supermarket family, the Jashanmals. Originally, the owner had intended to build a residential and office block, with the usual string of small shops on the ground floor, but when the link was formed with Jashanmals, Sheikh Ghanem was persuaded to go full scale into the retailing business. The store's opening came at an unfortunate time, in the midst of the slowdown in Qatar, but even so its owners are expecting to write off the QR 50m capital investment within the next seven years. They are already on target, claims the store's managing director, Bharat Jashanmal.

Record

The store was built in a record time, 55 weeks, using pre-assembled units which locked into each other, much like a child's Lego set. Covering a total area of 100,000 sq. ft., the building has been deliberately made too large so as to allow for future expansion and avoid higher construction costs. It is the largest single department store between Italy and Singapore. For residents of Doha, the Centre is a cool and quiet place not only to purchase the weekly groceries but also a spacious browsing area and popular meeting place. In Gulf terms, the Centre is a revolution in marketing. Each week is marked by a special event or exotic novelties. During the Queen's visit, for example, the store is to be manned by natives of Baluchistan in Beefeater uniforms. The inside of the shop will be painted in a London mural, and outside Indian girls, dressed up in black and yellow uniforms, will be in position as meter maids in the carpark. Already the store is a victim of its own success says Bharat Jashanmal: "If we don't provide something new every week, we get complaints."

More than half of the Centre's turnover is derived from food sales, which cater for all tastes, Qatari, European and Asian. Mr. Jasbanmal admits that when the store first opened, some "adjustments" had to be made on price while the Centre found an attractive local price level. The supermarket side now offers such items as fresh meat flown in daily from Scotland, oysters, mussels and other speciality lines for each of the numerous communities in Doha. The impact of such variety was enormous. For example, before the store opened, it was almost impossible to buy fresh meat in the town. The only other butcher offering such a service was likely to sell out his weekly stock within two hours. Now the other quality butcher stocks fresh meat five times a week, and owing to competition between them, prices have even come down.

The overall effect of the Store's opening in Doha, Mr. Jashanmal believes, is a lowering of prices, for residents in Doha are becoming more price conscious than before. Presentation and marketing has also improved enormously in other stores, for Jashanmals operate what must be one of the largest advertising budgets in town over Qr 500,000 a year. The store has also had its marketing mistakes in the six months it has been open. A separate entrance for ladies was provided to encourage Qatari women to use the store. It was a miserable failure: the local women preferred to walk through the front door. The jewellery counter was axed—"we decided we were a store for tha middle class" says Mr. Jashanmal.

Perhaps the most telling marketing story the store has to tell occurred when a Japanese food manufacturer recently approached it with a view to selling—speciality foods. Jashanmals were unenthusiastic about the prospects of selling exotic Japanese canned foods to such a community like Doha which had a very small number of Japanese. The visiting Tokyo manufacturer went away disappointed, but not deterred, for a few weeks later, the store received a complete list of every Japanese resident in Qatar, with name, company name, post office box address and contract number. Much to their amazement, the Japanese community numbered over 300 families, and when the manufacturer promised to help out on the design of advertisements in Japanese, the net result was a Japanese "corner" in the food hall of the Doha supermarket. It has been fantastically successful, and promises to be more so as the Japanese community increases in size with the contracts which have been awarded at Umm Said.

Such techniques have put Japan at the top of Qatar's import league table. Only recently, the Japanese were

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Political stability finely tuned

THE EVENTS in Iran and suddenness of the change of power are forcing Arab leaders in the region to re-examine the term "Gulf security" which has always been used loosely to refer to the threat of communist subversion. The experience of the Shah of Iran has shown that stability can be altered from within as well as without and that other forces than communism can bring about immense change.

The Emirates are more aware than ever that their wellbeing and security are dependent not only on the management of their own affairs but also on the internal affairs of their neighbours. This has brought a fresh focus to subjects which are frequently skipped over, such as the nature and composition of population, the administrative style of ruling families and relations with a powerful neighbour like Saudi Arabia. Qatar is no different from other states in being a small part of a large regional mosaic. Examination of these topics shows how the political balance is finely tuned.

Details of Qatar's resident population have never been published but the country is so small that basic fieldwork and the limited data available provide a means for a firm estimate. People with full Qatari nationality number from 40,000 to 60,000, according to definitions; Iranians number 30,000-40,000 and Pakistanis from 25,000 to more than twice that number, according to the *extremes* of rival estimates. Palestinians number 20,000; Indians (who are often in commerce, clerical and service) about 15,000; Yemenis (labourers, skilled workers and drivers) and Egyptians (skilled work, clerical and professional) number about 3,000 each; Sudanese (drivers, police and security work) have about 6,000 with Lebanese and Syrians (*commerce, trade, professional*) slightly fewer. In addition there are a couple of thousand Somalis, Iranian Arabs, Britons and Frenchmen, while many other nationalities number *several hundred* in each community. These are mainly technical and professional people and workers on specialised block contracts. Examination of these communities, whose numbers are constantly changing, shows that for different reasons none of them need necessarily be a potential security threat. Definitions of Qatari nationals are significant because many residents, especially Palestinians, hold Qatari annually renewable passports and have citizens' privileges. Officials make it clear that citizenship is not nationality. One group, arguably not indigenous Qatari but considered as having full nationality, is the bedouins from the Arabian peninsula, who make up the bulk of the soldiery in the 20,000 strong armed forces. These people have roamed freely across what are now sovereign borders for generations. Members of their nomadic families would be often entitled to UAE and Saudi Arabian citizenship if they so chose.

Palestinians are often regarded as a great potential threat to security. It can equally well be argued that they are not. The Ruler of Qatar first gave hospitality to Palestinian fedayeen in 1964. The PLO office is today in a building which was the first home in the Gulf to Palestinian activists. But Palestinians owe a debt and have a loyalty to the al-Thani family, which has discreetly looked after their interests for years. The stress by the PLO is on using Qatar as a cradle for a Palestinian educated middle class. Most Palestinians are not members of the PLO. As dispossessed people their interest lies, it could be argued, with building for their families not in jeopardising the haven they have found.

Iranians are a separate question. A visiting Iranian mullah and Khomeini-supporter, Sheikh Bahaeddin of Shiraz, recently said in Doha that Qatar has 40,000 Iranians excluding Qataris of Iranian origin. (These could include Arabs of Iranian origin and ethnic Iranians who have Qatar nationality.) No one knows what will transpire in Iran, but two facts are germane about the Iranian community: the prosperous merchants class would not willingly jeopardise its livelihood; most poor Iranians are monitored through the local Shi'ite leadership with whom Qatar maintains close ties. Sheikh Bahaeddin said he did not think that Arab monarchs were threatened by the fall of the Shah. He pointed out that the welfare state is so strong in Qatar that on each visit he saw more oil wealth transferred to the people in the form of schools, hospitals and medical services and housing.

Save

What of the tens of thousands of non-Qatari workers like Pakistanis, Indians, Yemenis, earning $10-$30 a day labouring in the heat? Most of them come to Doha for fixed limited period to save up money. After two or three years of backbreaking work an Indian, Pakistani or Yemini can save up enough to return home to marry or establish himself with his small accumulation of capital. The temporary stay and the cash target means that potential "destabilisers" do not consider themselves part of Qatar. In theory this diminishes resentment.

Qatar's telephone directory lists 230 sheikhs from the al-Thani family. There are hundreds of sheikhs and thousands of members of the extended family. The inheritance of Arabia's tribal system means that Qatar is indisputably their country. Their authority dates back to the 18th century when the tribe migrated from what is now Saudi Arabia. Westerners in Qatar often allude to what they call the "split" in the family. The issue is highly sensitive because it is a private matter. Dissatisfaction on the part of some members of the family could not, however, be regarded as "a source of instability," as some outsiders imagine. Al-Thanis know that *internal* disagreement does not constitute a split. And it angers them to hear such presumption from outsiders. The Arabian system has traditionally encompassed disputes within the tribes as part of a process of selection to establish the family and individual best suited to rule. This was vital before oil when survival in the desert literally depended on total obedience to the *ruling sheikh*. It is natural that the challenge of the modern era should stimulate disputes about how best to handle modernisation and development.

Sheikh Khalifa bin Hamad al Thani overthrew his cousin Sheikh Ahmad bin Ali in a bloodless takeover in 1972 while the then Emir was hunting in Iran. Sheikh Khalifa was already Prime Minister, and his assumption of power marked the start of Qatar's economic and political development. No one questioned the choice of Sheikh Khalifa as a reforming ruler. As so often in the Arab world there was disagreement about the second position in the Emirate.

Sheikh Khalifa dealt with the issue by retaining the post of Prime Minister for himself and only recently appointing his son and Minister of Defence, Sheikh Hamad bin Khalifa al Thani, to the position of Crown Prince. The dispute has never been written about seriously, though unlike details of Qatar's population it is one of Qatar's many open secrets. The airing of this understandably sensitive subject in no way alters the facts and does not affect the stability of the country.

The links with Saudi Arabia stem from tribal and religious affiliations. Al-Thanis came originally from Saudi Arabia and they share the affiliation to the fundamentalist interpretation of Islam. The Saudi Arabian Royal Family is regarded in Qatar, as elsewhere, as the guardian of Arabian interest and Riyadh's rulers are looked to for guidance. This is no reflection on Qatar's sovereignty, although Saudi Arabia is regarded ultimately as the guarantor of Qatar's security. Qatar has its own *pragmatic* approach to social matters and attention to the needs of its foreign community. It closed down the only licensed restaurant two years ago but recently opened an unlicensed haven for Westerners in the form of the Doha Club.

Foreign policy follows the lead of Saudi Arabia. It is geographically, historically and socially natural that it should do so. The *reason* private opinions are not offered on controversial political topics until Saudi Arabia has pronounced on them is quite simply a matter of courtesy and deference to the powerful ally. Traditional Arabs are unashamed to have their lives dictated by good manners, and Qatar goes to extreme lengths to avoid breaches of courtesy. When Qatar sided against Saudi Arabia in 1977 over oil price rises it was because, as host to the OPEC conference, to do otherwise would have been a greater breach of protocol. Qatar's reticence to discuss *strategic matters reflects* a realistic awareness of its place in the regional mosaic, not a lack of independence.

No Qatari, on or off the record, will comment on two connected *foreign policy issues* which, apart from the Iranian question, loom in the background. These concern future relations, if any, with the Soviet Union and China, both of which are apparently engaged in some sort of race to break diplomatically into the Arabian peninsula. The subject is so sensitive that it is wholly understandable that Qatar will not be drawn on the subject, until Saudi Arabia has deliberated. To do otherwise would be unpardonably discourteous to Qatar's greatest friend as well as politically foolhardy.

M.T.

'West End'

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attempting to sell cultured pearls to the Qataris at a specially organised local exhibition. The display had its ironic touches, for only a few decades ago, local Gulf traders had their own real pearl market, ruined with the beginnings of the cultured pearl industry in Japan.

Such selling techniques have won Japan 26 per cent of the Qatar market, for their imports totalled Qr1.293bn in 1977. The breakdown in the import league table has yet to be calculated by the customs department for 1978, although it is likely that this position will be maintained since a Japanese company has been awarded the contract for the reconstruction of the NGL plant. Britain came second, with 13.9 per cent of the market, with imports amounting to Qr915m. The next three on the list were the United States, West Germany and France, and in sixth position was Dubai, the re-export centre in the Gulf.

Overall, Qatar's imports increased sharply in 1977 to Qr4.8bn compared with Qr3.3bn in 1976, but most of this increase is likely to have taken place in the early part of the year. The 1978 figures show a different picture, for the level dropped in the first six months from Qr1.9bn compared with Qr 2.7bn during the same period of the year before. Most of the 1977 increase may be due to the decline in the value of the U.S. dollar against other major currencies, and to the continued inflation in the countries which are Qatar's main trading partners. But nevertheless, one of the stated Government economic policies is to keep the level of imports down, *thereby* avoiding the rates of inflation which prevailed three years back. However, tonnages recorded by the end of last year were 1.629m tons compared with 1.632m the year before, indicating that the drop may not have been as substantial as the value figures show. Local traders maintain that there has been no slowdown whatsoever, merely a "normalisation" of trading. *Nevertheless*, when the boom subsided a number of merchant houses in Qatar were caught with considerable stocks, and conditions have become more competitive since then. More attention is given to display, advertising and chasing up potential new clients.

One car agent, Jaidah Motors which is representative for certain General Motors vehicles, conceded that in the boom days, cars were sold like a can of tomatoes. Now, a great deal of effort is put into advertising and general marketing, a development which has been aided in recent months by the start of publication of an English language weekly newspaper in Doha. Another Arabic daily is also promised, thus broadening the avenues for media advertising. "Two years ago," commented a Jaidah executive, "we were *selling heavy vehicles* straight off the ship, and even now, with the normalisation of trading, we sell enough cars and trucks to make General Motors think we are in the smuggling game." Doha, he *pointed* out, was a very small market, but its consumption is *fantastic*. Nevertheless, the over stocking of cars in Qatar two years ago has led to a drop in imports last year from a 1977 total of 13,742 to only 9,711 last year.

Construction still plays a significant role in Qatar's commerce, for a number of the prominent traders are going ahead on multi-storey villa complexes. One of the largest developments is Ghanim Gardens, 83 Spanish style villas in landscaped surroundings with swimming pools, clubs, squash courts and children's play areas. *Gulf Property Services*, which is responsible for the construction and rental of the villas, is still hoping to get the old rates of QR 11-12,000 a month out of tenants, despite the fact that rents generally in Doha have come down. Their reckoning is that tenants will be moving out of the older buildings and will prefer to live in the more luxurious developments which offer so many amenities. The town is also gaining a number of prestige office blocks for the private sector, which may prove attractive to local companies as there is such a shortage of this kind of accommodation at the moment.

For the newcomer to Qatar, the most important decision is of course the choice of local agent. The most prominent traders in the town are the Mannai family, Jaidah, the long-*established Darwish* family and a number of prominent Al Thani sheikhs. These powerful and large companies are slowly changing in styles from the old Arabian merchant houses into large western style combines, and some can count their assets in the QR 400m mark. Such companies often carry as many as 300 names on their books of companies they are representing. However, in recent years, a number of *young Qataris* have joined together to pool their resources, contacts and assets to form what have turned out to be highly successful local companies. Many are managed by foreign-educated Qataris, and in the next few years these young companies could generate healthy rivalry with the more long established houses.

K.B.

Banking system keeps a low profile

The Qatar National Bank headquarters on the Corniche in Doha

ONLY A few yeara ago, the banking community of Qatar consisted of a handful of banks and a central monetary institution which was operated from an office above a tyre sbop. Even today, this wealthy and growing market is serviced by only 12 banks, ten of which are foreign. It was only last year that the Qatar Monetary Agency (QMA) introduced a clearing system—up to then cheques were cleared by a team of bank messengers speeding around town on motor bikes.

Although the banking sector has developed considerahly since those early days, banking in Doha is still a quiet, orderly affair. The Government and the local banking community have resisted the more flamboyant and sophisticated styles of banking which characterise the other Gulf States, and their tradition of measured progress has paid off. There have been no banking crises, major bankruptcies or visits hy commercial or financial conmen who seem to plague the other centres. Such phenemona have not happened in Doha because Qatar is not, and never was, the overnight Klondike, and the Government bas to keep a tight rein on expenditure in nrder to balance the books at the end of each year.

At the onset of the 1970s, the banks made an agreement between themselves to limit interest rates on credit and deposits. The Interbank Agreement, as it is called, was introduced hy tbe banks in the absence of a central monetary institution, hut the tradition continues today. The agreement nn interest rates is still in effect—thougb under challenge.

Today the Qatar Monetary Agency is boused in one of the most impressive modern buildings in Doha and bas a staff of 25. Yet despite its five year history, tbe agency is still finding its feet. Top priority for the Government is that it shonld train and employ as many Qataris as possible so as to involve nationals in the banking sector from tbe beginning. Although the framework of the agency's establishment enshrines it with full central banking powers, it is still in many local bankers' eyes a note-counting institution. Many still look to Dubai or their Bahrain off-sbore banks as sources of foreign currency for the agency is limited to US$500,000 on foreign exebange daily dealings to any one bank. Yet the QMA is slowly taking over tbe banking supervision and control from the Government's own finance department, and within the next few weeks is to set up a team of bank inspectors. The teams will he headed by an official seconded from the Jordan central hank and will include Qatari trainees. However, their work is likely to concentrate more on the auditing side than bank supervision.

Growing

The agency is also growing in strength from its increased dealings with other Gulf monetary agencies, and has subsequently been more active in its advisory role to the Government in such matters as currency valuations, of whicb there were three last year. The revaluations took place in unison with the monetary agencies of the United Arab Emirates and Bahrain. QMA bas also managed its reserves dramatically better in 1978, through a more active investment programme promoted by an official seconded frnm the Bank of England. Earnings bave risen 50 per cent from the time wben funds were previously placed in deposits. Currency cover is now significantly better than it ever was, well over 100 per cent, and backing to the note issue is now nearly up to the $200m mark.

However, the QMA still lacks a Board of Directors to direct policy, and major decisions are still taken by the Government's own finance departmeot. The establishment of a board was one of the recommendations of a recent report done by the IMF late last year, though indecision as to its membership is likely to delay its formation still further. However, finance officials say that the Government would prefer to see members of the private sector, on the board, rather than Government officials. Lucal bankers foresee a conflict of interests arising over this, for many of the Qatari merchants have interests io local banks.

Until the agency has sufficient staff and is able to take over more duties, the Government is continuing to channel its oil incomes for expenditure through the semi-Government owned Qatar National Bank. As a result, the bank accounts for 45 per cent of all deposits in Doha and nearly one third of all credit. Its predominance leads to occasional grumbles by local bankers that the oil wealth of Qatar never touches the hanking system, and thus imposing certain stresses on it.

The hoom of two years ago and the subsequent cuthack by the Government has also had its effects on the banking system. The symptoms of those days still linger around the loan portfolios of a number of hanks. When the boom began, a round of land speculation began, and land prices went up fivefold. However, when the Government realised that the jump in land prices was not only proving unhealthy to the economy, hot was affecting its own development plans, the Emir moved swiftly to put an end to the speculation. The Government stopped huying land and the banks were forbidden to extend credit for this purpose.

Since then the boom has subsided, and many of those property speculators and companies orientated towards construction bave turned to other activities. But the result for a number of the banks is that many have been landed with loans on their portfolios for land purchases. Conceived in different times, these debts are now viewed as being possibly doubtful, and certainly long term. Not all the banks bave sucb loans on their books, and many of them have conservatively stuck to trading.

It is difficult to assess just how much credit is still absorbed by the property sector. In theory, credit for such pnrposes should be low in view of tbe Government ban, but a number of the banks and their clients have been disguising the purpose of their luans. Neilber do the figures show up in the montbly credit analysis done by the Qatar Monetary Agency, for as yet no code of statistics reporting bas been laid down.

Some of it may end up in the category named "housing and construction," although some banks *interpret this sector* to inclnde only their tide-over advances to the contractors who are awaiting payment hy the Government. Land purchases, according to the agency statistics, only account for 1.3 per cent of all credit, though officials there concede that a large part of this kind of credit ends up in the category named "other," which constitutes 21.5 per cent. Some of it is included in the construction sector, which represents 18 per cent of all credit, and also in personal overdrafts, which accounts for nearly 7 per cent of the total.

Suffer

Whatever the percentage of credit for this purpose, what is clear is that the Qatar Government has no intention of aiding those merchants who got caught in the tail-end of the land boom. The foreign hanks suffer particular disadvantages, for mortgages cannot be held by foreign institutions. A number of hanks also pointed ont that in the times of the hndget cuthacks, it was the banks that kept the wbeels turning, helping local traders to keep going and also extending credit to contractors awaiting progress payments from the Government. Even now, some payments can be as late as three months, a point which Government officials vebemently deny, saying that the average waiting time is only about one month.

However, it is still trading which absorbs the bulk of credit in Doba, accounting for 43 per cent of the total in December, 1978. The demand for credit for this sector is still growing, although some bankers are now exercising more caution in their lending policies. Overall, advances have increased only modestly in 1978, a mere QR426m last year, compared with a QR900m rise the year before.

However, the continued demand for credit is known to be leading to unbealthy ratios of advances over deposits, for a number of banks, particularly for those banks which hold land purchases credit on their portfolios. The consolidated ratio was 88 per cent in 1977, but this year it has dropped to arnnnd the 72-74 per cent mark. However, much of this can be accounted to the conservative lending policies pursued by the Qatar National Bank, which dominates all banking business in Doha. The true situation is that some banks, about three or four, are maintaining questionable ratios.

The situation bad led to renewed examination about the interbank agreement and its future. The interbank agreement stipulates that interest on credit sball range from 7 to 9.5 per cent annually and on deposits up to 6.5 per cent. However, the banks which have been maintaining unbealthy advance ratios have been seeking new deposits by more attractive rates on fixed deposits than are allowed by the agreement. Many are now offering 7 per cent, hut interest rates as high as 9 pcr cent are said to bave been offered to cnstomers. Some have even been luring clients with up to six months advance interest, in effect buying customers. One bank was known to have been sufficiently concerned about its liquidity ratios to have called for fresb funds from head office.

The seeming disintegration of the interbank agreement has culminated in a study put into the Qatar Monetary Agency by the local bankers association, suggesting a review oo interest rates. Although the interbank agreement began as an informal accord by banks to install some order in the community, any such changes now will have to carry governmental apprnval. The suggestions put forward by tbe association include a revision upward on deposits interest rates up to 7 per cent, and on advances up to 10 per cent. There are also a number of other points, such as a re-examination of rates on letters of credit and commission charges. The report was handled in the middle of last year, and as yet no reply has been given by the Agency.

Agency officials concede that tbe present agreement, conceived as it was in very different times, may not reflect the situation now. However, they add that although the situation may he different, it is not necessarily difficult.

The interest rates on advances is considered a pressing problem by local bankers, who feel that the 9.5 per cent maximum carries an inborn exchange risk nowadays in times of higher world rates. The interbank muney rate for Qatar riyals for deposits up tu 12 months fluctuales between 8.25 and 9.25 per cent, which allows for a very small margin when rates are restricted to 9.5 per cent.

In the meantime, the Qatari merchants will continue to play off one bank against another on interest rates. Not all are avid watchers of interest rates, however, for many still follow the teachings of the Koran and do not accept such payments. The number is declining (one bank put such clients as less than 5 per cent of the totall, but a number of the long established banks still have substantial older clients in this category. In the meantime, the cost of funds for Qatar banks is relatively low; consolidated, the cost works out at around 4 per cent.

The most dominant bank of them all, the Qatar National Bank is going from strength to strength. From a balance sheet of QR 1.8bn in 1976, the bank has grown to a balance of QR 3.38bn by the end of last year. Declared profits amounted to over QR 45m, although almost the same amount was ploughed back into the bank's reserves for future contingencies. In one year, 1977-78, advances jumped by almost one-third from QR 603m tn around the QR 900m mark by the year end.

The Qatar National Bank is also growing Internationally and is now establishing offices in Cairo and Paris. It has alsn acted as one of the lead managers in a $350m internationally syndicated Eurodollar loan for a number of semi-government projects. Last year a further U.S.$175m was raised at a substantially reduced spread of five-eighths over LIBOR. The remaining U.S.$25m was covered in Qatar riyals by the bank itself.

The predominance of the Qatar National Bank has not deterred a group of Qataris from establishing their own bank in the near future. The new venture has been given the blessing of the Qatar Monetary Agency, which concluded that there was enough room in the market for a 13th bank. The Doha Bank as it will be called, is to have a capital of QR 14m, of which QR 12m will be raised by public subscription, say informed sources in Doha. Each shareholding is valued at QR 100 and each subscriber is limited to a share total of 300,000. The remaining QR 2m is held by group of nine prominent Qataris, including several members of the ruling family, the others being prominent traders in the town. Officials at the Agency confirmed that the new bank was going ahead but would not comment on its details.

However, local observers are already saying that with a taste of foreign connection in either shareholdings or management, and its small capital, the new bank could find it hard going in this tight, yet wealthy market.

K.E.

ECONOMIC VIEWPOINT

The world league tables revisited

SOME OF us still remember the growth league tables of the early 1960s. The European stars were Germany and France, while Italy too had an on-off miracle. But the really keen eyed growth men realised that Japan was the top flight performer.

The U.S. was certainly no star, but was excused normal performance tests because it was starting from a very high level of output per head. At the bottom of the league was of course the UK with a growth rate at least as bad as the American, but an absolute level of output per head somewhere between a half and two-fifths that of the U.S. Indeed, to the extent that economic issues played a part in the 1964 election Harold Wilson won it on the growth tables, which he had a unique ability to translate into terms of football league divisions, relegation, transfers and so on. Never before or since have I felt so well informed on the metaphors of association football.

During the 1960s and early 1970s the laggards tried to find the road to success. The free enterprisers sang the praises of Germany, the planners those of France. The corporatists, who saw the nation as a giant firm and economic policy as a form of warfare took their inspiration from what they believed to be the Japanese model.

But, for all the sound and fury, surprisingly little changed. Between 1960 and 1973 the growth league was still headed by Japan which grew at an annual average rate of 10.5 per cent. Then came Germany, France and Italy with growth rates of around 5 per cent. Correcting for changes in the number of employees there was very little to choose between them. The U.S. came behind with a little less than 4 per cent —and even that was a cheat as the period started with an Eisenhower recession and ended with a Nixon boom. The UK brought up the rear with just over 3 per cent—in those days regarded as scandalously low—even though many of the elements of the present industrial strategy, such as the so-called "micro" approach and the concentration on the little Neddies, were already in place even before the change of government in 1964.

The year 1973 saw a worldwide change of trend. The oil price explosion was, if not the cause, at least the occasion of the end of the post-war boom. As 1978 looks as if it was the peak or very near the peak of the first cycle of the new era, it is at last possible to take stock.

President Carter's Council of Economic Advisers summarises the change effectively by pointing out that the overall growth rate of the 20-plus countries which make up the OECD slowed down from almost 5 per cent per annum in the decade ending in 1973 to 3 per cent in 1973-78. Furious arguments still rage about whether there has been (a) a downward shift in the long term growth trend, (b) a once for all displacement because of structural and labour market changes, or (c) an unnecessarily slow expansion due to over cautious demand management by governments wrongly reacting to inflationary fears. On the first view, slower growth is here to stay; on the second, we may get back to the old trend but not catch up lost ground. On the third view, an enlightened summit of world economic leaders could actually produce a growth burst of record vigour in the coming quinquennium.

There is not the evidence to decide between these diagnoses, although it is obvious that I do not take the third as seriously as some people would. What might be more profitable is to look at how different countries have fared in the last cycle within the context of slower world growth. There are some mild surprises. In 1978 the Republic of Ireland strode to the top of the league with a growth rate of 6½ per cent.

But over the longer period 1974 to 1978 Japan still led the growth league but with an annual gain of only 3.7 per cent, a mere shadow of her old marathon-winning self. Then came Canada followed by France, both in the two to three per cent range. The big shock is Germany whose growth rate fell back to 1.7 per cent and was actually overtaken by the U.S. with 2.3 per cent. Italy fell behind, at least statistically, with 1.9 per cent and—surprise, surprise—the UK again brought up the rear with one per cent.

Growth burst

But things are not exactly what they seem. The productivity figures on the right hand side of the accompanying table are quite different to the overall growth figures I have just cited. Germany as well as France still notched up a very respectable annual productivity growth of around three per cent. The shortfall in total growth reflects Germany's belated recovery from the recession of the mid-1970s. The retardation was perhaps associated with the rise of the mark and the country's spectacular anti-inflation performance. It is now being made good by a growth burst in 1979. Somewhat similar remarks may apply to Japan.

There would be nothing particular to say about the UK's predictable performance on productivity were it not for two facts. One is this was the period which saw the most spectacular rejection of the market mechanism in industry in favour not merely of Little Neddy (which have a role in spreading information) but of massive state subsidies and detailed industrial interference, first by the Heath Government and then by its Labour successor.

Secondly, in spite of low productivity and the official encouragement to retain labour, British unemployment rose by more than that of any other country in the table, on as nearly comparable a basis as possible. By 1978, when it had improved somewhat, it was higher than that of any other country except Canada and Italy, the last of which enjoys the blessings of lavoro nero. Yet the official reason for the preoccupation with incomes policy was that reliance on monetary restraint alone (as was largely the case in most of the other countries whose governments sometimes looked with envy at the British "social contract,") would have led to excessively high unemployment. Perhaps it is unkind to mention that the country which experimented most with pay and price control, after the UK, was Trudeau's Canada. Of course, when there are high American and British officials who believe that the Japanese and Germans in fact adopted a highly authoritarian but secret incomes policy, it is difficult to carry this particular argument much farther.

The really novel development, however, concerns not Britain, but the U.S. America's rise in the league table was due to a rapid growth of the employed population—partly for demographic and social reasons, and partly because of the vigour of the American cyclical upsurge, which far outpaced that of Europe or Japan. This was probably the last of the postwar Keynesian booms and by 1978, American producers were really scraping the barrel to take up any bits of unused capacity or surplus labour.

The consequences for imports, inflation and the dollar are all too well-known. What is less well known is that there was almost no increase at all in output per head in this cycle for the whole economy, virtually all the expansion coming from higher employment. The U.S. fell right to the bottom of the productivity stakes, well behind the UK.

THE LATEST CYCLE

	UNEMPLOYMENT*			PRODUCTIVITY†		
	1973	1978§	Change 1973 to 1978	Average annual growth 1964 to 1973	Average annual growth 1974 to 1978	Average annual decline in growth between periods
U.K.	2.8	6.8	+4.0	3.2‡	0.8‡	−2.4‡
U.S.	4.7	5.9	+1.2	1.8	0.1	−1.7
Germany	0.9	3.7	+2.8	4.7	3.2	−1.5
France	2.6	5.8	+3.2	4.5	3.0	−1.5
Japan	1.3	2.5	+1.2	8.9	3.4	−5.5
Canada	5.6	8.4	+2.8	2.4	0.6	−1.8
Italy	3.7	7.4	+3.7	5.4	1.1	−4.3
Sweden	2.5	2.6	+0.1	n.a.	n.a.	n.a.

* On common OECD definitions. † GNP divided by employment. ‡ Excluding North Sea oil. § 3rd quarter. n.a. Not available.

Source: OECD Economic Outlook December 1978 and July 1976

The U.S. Council of Economic Advisers, which is intensely worried about this phenomenon, has made a characteristic and wholly admirable attempt to quantify the reasons for the short-fall—although as usual with such exercises the individual components do not fully explain the total setback.

Labour productivity in the private business economy was growing at an average annual rate of over 3 per cent in the decade to 1965, by over 2 per cent in the subsequent period to 1973 and by well under 1 per cent since then, leaving a total retardation of nearly 2½ per cent to be explained.

Investment

The CEA attributes a ½ per centage point of this to the fall in private investment. (Capital per worker has been growing by 1¾ per cent per annum compared with 3 per cent before 1973.) But this of course throws one back on the question why investment should have had a setback.

Demographic changes, bringing more women and young people into the labour force, also account in the CEA's view for over 0.3 of a percentage point of the productivity fall-back.

Another suggested explanation is the sharp rise in the cost of energy. Here the CEA appears to have a split mind. The international chapter of its report states categorically: "The sharp rise in the cost of energy has led to some costly substitution. To a lesser extent, generally higher and more volatile commodity prices may have retarded some productive sectors." The author of the chapter on the domestic economy, on the other hand, cannot discover a mechanism by which the oil crisis could have had such a severe effect on productivity. "Productivity-reducing effects occur as firms substitute labour or cheaper fuels for oil, or as energy-inefficient plant and equipment are replaced, but these effects will be spread very gradually over a long period." There are some virtues in American pluralism, even in official economic reports.

But the most controversial explanation listed by the CEA for the productivity slowdown is the cost of increased "economic and social regulation." A study is cited which estimates that the direct costs of compliance with environmental, health and safety regulations may have reduced measured productivity growth by an annual average of 0.3 of a percentage point since 1973. The CEA attributes the shifting from an annual productivity rise of 4.3 per cent in the mines in the early 1960s to an annual decline of 6 per cent since 1973 to "stringent safety laws."

But we must, as the CEA stresses, go slowly at this point. Reduced pollution and greater safety are real gains. The fact that they cannot be easily measured by statisticians is a defect of the figures, not of performance.

The difficulty is to distinguish between genuine improvement and the work of faddists and pressure groups. Not long ago I was taken by car from Chicago to the other side of Lake Michigan; and there was no avoiding the steel producing district on the southern shore in between. One of the children asked delightedly: "When will the smell begin?" The driver said he would faint if the window was open, while his wife threatened to be sick if it remained shut. There is probably still too little environmental planning rather than too much.

But the regulation that exists is sometimes governed by an odd sense of priorities. "Is this fish worth saving?" was a headline about the objections to a major dam, which would endanger a tiny and hideous creature whose mere appearance was an argument against the existence of a benign providence.

Moreover the CEA is right to stress the "litigation and uncertainty" involved in so much U.S. regulation, which seems designed largely as job creation for lawyers (who predominate in Congress). The CEA makes a serious point in criticising regulations for specifying precise techniques to be used rather than target standards of performance (eg in water purification). These are subjects on which the CEA chairman, Mr. Charles Schultze, has thought profoundly and constructively. And I mean no offence in suggesting that he would do better to devote his talents as a microeconomist to improving the quality of U.S. economic and social life and leave the reduction of inflation to a newly constituted Federal Reserve which would be genuinely concerned with controlling money.

Samuel Brittan

Letters to the Editor

Buying time

From Mr. F. Bradbury.

Sir,—Now, I suggest, is the time for the "lump-sum" policy. The basis of the idea is a lump sum payment and I must be circumspect enough to give the impression that there is room for negotiation on the details.

The deal is that, in return for (a) immediate resumption of) normal working without any increase in pay, there is a lump-sum payment of £250 to all public employees who have so far not settled under the present wage round. It is made clear that the purpose of this payment is to "buy time" to sort out a better wage structure (perhaps with a new Government) and ... by acknowledging that there is a need for an improvement in earnings, to encourage good will between the parties ... that a calmer approach is possible.

From the employee's point of view, the payment is inflation-proof (because it is paid outright) and also saves the losses resulting from strike action. The lump sum is "all things to all men" but, in the short term, is far better than the most extravagant pay claim—an obvious "victory" for the union side. Even if it takes a year to reach a new agreement, the employee will not lose out although the actual increase would work out roughly according to the "Pay Guidelines" but, with the containment of inflation, would be a real money increase. Reaching agreement in less than a year would show a profit. The award, because of the workings of income tax, automatically gives most benefit to the low paid, so there is no need for elaborate negotiation on reverse differentials. (April, however, becomes an even more significant date!)

From the employers' point of view it gives time to sort out the muddle and the cash comes from capital rather than current account and may be paid from government funds; there is no increase in wages costs or on the local rates. The tax system claws back a large part of the money and also spreads the payment over a week or so (this is no more of a loss to the employee than it would be if paid through increased earnings anyway). The avoidance of industrial action and possibly the avoiding of the high costs of carrying on with essential services (by subcontract) during strikes, can offset the cost of the payment.

The buying of time must obviously provide an opportunity to negotiate common pay starting dates and to break out of the present circle.

Although I offer this idea as a contribution to resolving present difficulties, I feel very sad that such devices should be necessary to patch up the torn fabric of our industrial relations.

Fred Bradbury.
Bradbury Controls, P.O. Box 4, Borehamwood, Herts.

Accounting for inflation

From Mr. P. Ratzer

Sir,—Michael Lafferty (February 1st) omits one of the most significant objections in the new inflation accounting proposals, namely the acceptability of the conceptual framework on which they are based.

Underlying Morpeth Mark II is the concept that profit should be struck after reflecting the impact of price changes on the operating capability of the business. Maintaining the operating capability is not the same thing as maintaining the value or earning capability of the business.

Maintaining the value or earning capability of a business in a period of rising prices implies that inflation adjusted accounts should reflect the opportunity or real economic costs of the resources consumed in producing any goods sold. To the extent that prices are based on costs, inflation adjusted accounts will then show the costs that should legitimately be recovered in prices.

This conceptual framework implies the need for depreciation and cost of sales adjustments, as in Morpeth Mark II, but not for a monetary working capital adjustment (MWCA) or for a gearing adjustment. The values of fixed assets and stocks normally increase in money terms in a period of inflation and this should be reflected in current cost operating profits. The opportunity cost of money remains unchanged, so that an MWCA is unnecessary. The MWCA is really a net financing requirement, not an appropriate charge against current cost operating profits or an item that should be recovered in increased prices.

The gearing adjustment is also not an item that would be included in a definition of profit based on the maintenance of the value or earning capability of the business. There is no economic justification for arguing that the increase in prices of any goods should be restricted to the extent that the business is financed with borrowed funds.

I believe that the maintenance of value or of earnings capability conceptual framework is more relevant to the needs of managers and of shareholders than the Morpeth Mark II framework. It produces a simpler definition of current cost operating profit which requires only two adjustments and which also has the virtue of being very similar to the income statement from continuing operations that is one of the two bases (the other is a version of current purchasing power) recently recommended in the U.S. It is too early to say which basis will eventually be adopted in the U.S., but if the UK adopts a very different standard now it will only make it more difficult to reach agreement later on an international standard.

There can be genuine differences of view on the most useful conceptual framework for inflation adjusted accounts. More debate on this topic, as well as on the other issues discussed by Michael Lafferty, is still required before the accounting profession adopts a standard that could produce profits that are not the most helpful indicator of the economic performance of a business in a period of inflation.

Peter Ratzer.
31, Randall Crescent, NW3.

Investment in small firms

From the Director, Institute of Small Business Management, London Graduate School of Business Studies

Sir,—I am glad that Mr. Heckfield (February 5) is taking on board proposals to local authority investment in small business without commitment. Wise local authorities are bound to hesitate before attempting to practise an expertise at the ratepayers' expense which even the most experienced practitioners will admit to finding difficult.

Pump priming money for small private business is not a game for amateurs and although existing local authority powers to help small business may be unsatisfactory, the best alternative is certainly not this one. In any case, there is a network which already exists for this purpose through the venture capitalists and particularly the clearing banks, all of whom have more than adequate local contact points.

If local authorities are to help, then a great deal of work needs to be done to seek out the best ways of spending what are bound to be limited funds. Almost certainly this will mean evaluating the wide range of existing agencies dealing with various way of help and perhaps even coming up with some others. All of these are likely to be about subsidising the commitments which a small private business enters upon and which are usually its major constraints to growth. The list is a long one—it includes money—but it also includes people, stocks, premises and a widening range of public responsibilities.

This institute hopes to undertake some specific research in this area and it is also concerned to try to identify ways in which specific local authorities can in fact through some self-examination of the areas with which they are concerned, identify special business propositions which are more likely to succeed than others. The investment which may follow from this should however remain in the hands of the expert who knows not only how to put his money down, but also to watch how it is used.

Peter Gorb.
Sussex Place, Regent's Park, NW1.

A policy for pay

From Mr. R. Sherman

Sir,—The proposals set out in the Government/TUC Concordat have been tried before in closely similar form.

Such schemes have not worked in the past and are not likely to fare better in the future. At best they will enable a temporary truce to be reached between labour and employers, but in a few months' time the situation will return to its present state, in which almost every union with muscle will be able to impose on its employers a higher-than-just wage settlement.

What all the schemes lack, and which is essential for a long-term stable pay policy, is the compulsion on the TUC and the unions to approve every wage claim before submission. If this were done there would be no need to diminish the power of the unions or to legislate on picketing.

What this means in practice is that the TUC would become the sole arbiter on the fairness of every wage claim, or, to put this another way, the TUC alone would be responsible for deciding the rate for the job for all groups of workers. It would take some time to prepare such a ranking list but if it were compiled the TUC and the unions would assure that the total wages for distribution would be divided fairly.

There are many factors to be taken into consideration, such as the low-paid, differentials, etc., but given good will on all sides, the opportunity exists to have a fair and just wages policy for a long period.

By inference, strikes would become obsolete: discontent on the part of any one section would be directed, not against the employer but against the whole of the rest of the working population. Naturally, provision would be made for unions to appeal against the ranking they hold for the time being, and they would be allowed to present new evidence for upgrading. The plan to hold an annual joint Government/TUC/CBI conference to decide the coming year's total pay for distribution would be part of the scheme, but doubts as to how the total would be divided would have been removed.

Ralph Sherman.
Verdania,
West End Lane,
Esher, Surrey.

Outlook for the concordat

From Mr. D. Layton

Sir,—The concordat, though no doubt well-intentioned, is (in my view) unlikely to improve industrial relations significantly.

It was the brain-child of the TUC General Council, which represents only one section of the community — the trade unions. No representatives of the employers or of the general public, who usually suffer most from industrial disruption, had any say in it.

It has no legal backing whatsoever. Its effectiveness therefore depends entirely on the willingness of union leaders to follow the TUC's recommendations, and on the willingness of union members to obey their leaders' instructions. On past experience, neither can (to say the least) be taken for granted.

Although secret strike ballots are strongly recommended, the decision whether or not to hold them is to be left (weakly) to the "discretion" of individual unions.

It is recommended that, "save in exceptional circumstances," picketing should be confined to the premises of employers in dispute, or to those of their suppliers and customers. The woolly escape clause is likely to be prayed in aid all too often. Nor is any ban advocated on picketing by workers not directly involved in a dispute, such as occurred on a massive scale at Grunwick.

The so-called "independent" review committee which is to hear complaints from workers who have lost their jobs because they refused to join a union, or were expelled from it, is in fact TUC-sponsored and so not genuinely independent.

Mr. Len Murray remarked on TV recently that "the legal road (to industrial peace) is no road at all." It is perhaps not surprising that the TUC, having already used this road with outstanding success to achieve for the unions a uniquely privileged and powerful bargaining position, should now want to debar everyone else (employers, consumers, commuters, etc.) from using it to achieve some semblance of bargaining balance. Legislation to restore balance is essential and, to judge from recent public opinion polls, an overwhelming majority of the population share my view.

D. E. Layton.
33, Cranborne Avenue,
Eastbourne, East Sussex.

Today's Events

GENERAL

U.K.: Viscount Etienne Davignon, EEC Commissioner for Industrial Affairs, Sir John Methven, CBI director general, and Mr. James Prior, Shadow Employment spokesman, are among speakers at a conference on industrial democracy in Europe, Hyde Park Hotel, Knightsbridge.

Gas supply manual workers start pay talks.

Conference on commodity transactions and their taxation, Carlton Tower Hotel, SW1.

Overseas: Herr Walter Scheel, West German President, on official visit to Austria (leaves on February 23).

Franco-German bi-annual summit convenes at Elysee Palace, Paris, first of two days.

Bank of China delegation visits Tokyo to discuss terms of dollar syndicated loan.

OECD working party on Balance of Payments begins two-day meeting in Paris.

St. Lucia (Caribbean Island) achieves independence and becomes 40th member of Commonwealth.

OFFICIAL STATISTICS

Car and commercial vehicle production (January—final). Capital expenditure by the manufacturing, distributive and service industries (fourth quarter—provisional). Manufacturers' and distributors' stocks (fourth quarter — provisional). New vehicle registrations (January).

PARLIAMENTARY BUSINESS

House of Commons: Debate on White Paper "The Review of the Mental Health Act 1959."

House of Lords: (commencing 11 am). Films Bill, third reading. Social Security Bill, committee. House of Commons (Redistribution of Seats) Bill, committee. Motion on European Communities Definition of Treaties) (ECSC decision on supplementary Revenues) Order. Rates Amendment (NI) Order. Conservation of Wild Creatures and Wild Plants (Amendment) Bill, report. Legal Aid Bill, third reading. Short debate on London airports.

Final dividends: Allied Insulators. Anglo-International Investment Trust. Barclays Bank. Cardinal Investment Trust. ICI. Newbold and Burton. Olives Paper Mill. Interim dividends: Brown Brothers Corporation. Robert M. Douglas National Carbonising. Scottish Investment Trust. Tor Investment Trust.

UK COMPANY NEWS

Second-half recovery cuts Carrington's shortfall

WITH a second half rally Carrington Viyella, textile manufacturer, cut its £2.33m midway pre-tax profits shortfall to £1.55m by the end of 1978. The figure for the 12 months turned in at £14.51m compared with £16.06m.

At the interim stage a decline from £7.44m to £5.09m was reported but the directors said that increased consumer spending in textiles and clothing could lead to a second half profit improvement. In the event this turned out to be from £8.62m to £9.42m.

The directors now say that the outlook for the current year is overshadowed by the general industrial unrest which still prevails, and this makes it difficult to assess prospects.

After tax of £3.34m (£2.35m) but before exchange losses of £0.62m (£0.46m gains) earnings per 25p share are shown to have fallen from 8.1p to 5.68p. The net final dividend is 1.681725p raising the total payment from 2.104p to 2.35p, at a cost of £4.26m (£3.79m).

Sales for the year improved by 6 per cent from £304.3m to £322.7m and exports rose from £38.9m to £41m, an increase of 5.4 per cent.

	1978	1977
	£000	£000
External sales	322,706	304,377
Trading profit	20,403	22,097
Interest	5,894	6,035
Profit before tax	14,509	16,062
Tax	3,339	2,347
Profit after tax	11,170	13,715
Exchange losses	619	*460
Minority profits	255	431
Preference divs.	513	313
Attributable to ord.	9,783	13,623
Ordinary divs.	4,264	3,760
Retained	5,519	9,303

* Gains. † Losses.

The balance sheet at December 31 shows net current assets of £85.27m (£83.66m)—overdrafts are down from £18.09m to £11.05m.

Pursuant to an agreement entered in October 1978, which required permissions from various government agencies the last of which was received on February 15, 1979, the group's Canadian subsidiary, Consolidated Textile Mills (CTM), has acquired from Toyobo Company of Japan (Toyobo) the capital of Bruck Mills for a nominal sum. At the same time Toyobo invested $12.2m cash in CTM and was issued 580,720 new shares in CTM.

As a result the group's holding in CTM is reduced from 84.7 per cent to 49.7 per cent and CTM has therefore been included in the balance sheet as an associated company. However, since CTM remained a subsidiary throughout 1978, its earnings have been accounted for in the profit and loss account on that basis.

See Lex

HIGHLIGHTS

Lex looks at the year's biggest event for the stags with the likely sell-out this morning of two new Treasury issues. Lex also discusses the chance that MLR will come in for an early cut. Elsewhere, Carrington Viyella has not managed to make up ground lost in the first half and it is guarded about prospects for 1979. Eagle Star has proposed a restructuring of a similar kind to that adopted by the Prudential last year. Finally Lex looks at the latest offer for English Property this time from Canadian group Olympia and York. Elsewhere, Wedgwood produces its third-quarter figures and indicates only a modest advance for the full year. One of the smallest discount houses, Gillett Bros., appears to have fared reasonably well given the rise in interest rates during the year. Fitzwilton continues to recover and Eleco produces bigger profits.

Foreign & Colonial expands

NET REVENUE before tax of Foreign and Colonial Investment Trust Company rose from £4.27m to £5.23m in 1978.

After tax of £2.08m (£1.45m), stated earnings per share are higher at 4.67p (3.78p). The final dividend is increased from 2.77p to 3.275p net per 25p share, making 4.525p (3.77p). The Board also proposes a one-for-one scrip.

Pre-tax revenue was struck after management expenses and interest of £3.25m (£2.75m). Minorities amounted to £8,000 (£10,000). A total of £97,000 (£265,000) was transferred to revenue reserve.

Eleco up to £0.71m at halfway

TAXABLE PROFITS of Eleco Holdings the engineering and construction group advanced from £457,000 to £707,000 in the half-year to December 31, 1978, on turnover of £8.79m (£6.07m).

The net interim dividend is lifted from 0.75p to 0.9p—last year's total payment was 1.944p on pre-tax profits of £1.1m.

After tax £283,000 (£195,000), the net profit comes through at £424,000 (£292,000).

● comment

With a 45 per cent jump in both sales and pre-tax profits in the first half, Eleco looks set for another record result. Last year profits increased by 18 per cent to £1.1m and for 1978-79 a figure around the £1.5m looks achievable. Order books, which stood at £7.5m at the beginning of the latest financial year, are holding steady at that level. The street lighting, electrical engineering and road signs division did well in the first half, with profits and sales approximately 40 per cent ahead of last year. Bell and Webster, the construction subsidiary boosted turnover and profits by almost 60 per cent in the same period, while the steel division, which lost £200,000 in 1977-78, broke even in the first half—a position it is likely to hold for the full year. The only shadow over Eleco's prospects is the impact of the bleak weather and the transport disruptions. The shares, which closed yesterday at 64p, are on a prospective p/e of 8.6 (assuming a low tax charge) and a yield of 5.0 per cent.

Yeoman Inv. expands to £800,744

Pre-tax profits of Yeoman Investment Trust rose from £727,065 to £800,744 in 1978. Gross income totalled £1.02m (0.93m).

After tax of £262,782 (£257,306), earnings per 25p share are shown higher at 8.89p (7.86p). The net final dividend is lifted from 4.95p to 5.625p, making 8.625p (7.59p).

The net asset value of 240.7p (223.8p) is calculated after deducting prior charges at par, with the exception of the 4½ per cent convertible unsecured loan stock 1993 which is treated as if converted into shares. The valuation includes 100 per cent of the investment currency premium, less the liability in respect of the premium on the dollar loan shortfall.

Pre-tax profits were struck after interest and management expenses of £227,647 (£208,902).

Profits after tax of the dealing subsidiary, R. E. Pilkington, rose from £12,043 to £16,633 in 1978. A dividend of £5,989 has been declared to the parent company

Gillett slumps to £213,000

PROFITS after tax and transfer to contingencies of Gillett Brothers Discount slumped from £1.01m to £212,932 for the year ended January 31, 1979.

At halfway the directors said that because of rising interest rates group profits were sharply down from the exceptional levels reached at the same time last year.

However, the dividend is raised to the maximum permitted 16.851p net per £1 share with a final of 10.251p, compared with 8.58p.

At the year end after the balance brought forward of £482,456 (£440,505) and the cost of dividends £468,563 (£373,235) the surplus declines from £1.08m to £226,825.

Sterling and dollar certificates of deposit and currency instruments are shown to be down from £18.71m to £11.42m, listed investments down from £29.69m to £8.05m and contingent liability on commercial bills rediscounted up from £42.1m to £46.41m.

● comment

Given that Minimum Lending Rate rose from 6.5 per cent to 12.5 per cent during its financial year, Gillett Bros., one of the smallest discount houses, has fared reasonably well. A fall of 79 per cent in disclosed profits compares with drops of 70 per cent and 90 per cent at Union Discount and Alexanders, two of the leading houses. In fact, Gillett Bros. has made slightly more than Alexanders and unlike the latter has not had to dip into its reserves. In common with the other two, it has increased its dividend by the maximum amount although this has meant that it is not fully covered by disclosed profits and published shareholders' funds have fallen by £9.2m to £4.6m. Luckily for Gillett its profits have been cushioned by a sizeable contribution from its money broking activities. Not every discount house is as fortunately placed. At 230p the shares yield 11.5 per cent.

DANAE TRUST

Holders of Danae Investment Trust warrant certificates are reminded that they will be able to exercise their right of subscription, either in whole or in part in respect of any such certificates held on March 31, at 65p per unit.

This right is exercisable twice in each calendar year (usually March and September) until the winding-up of the Company which under the Articles shall be between January 1, 1998, and December 31, 2002.

Improvement for U.S. Debenture

After all charges, profits of the United States Debenture Corporation increased from £2,079,986 to £2,178,399 for the year ended January 31, 1979. Gross revenue reached £5,041,848 against £4,604,595.

Fully diluted earnings are shown as 4.19p (3.74p) per 25p share, while a final dividend of 2.9p lifts the total payment from 3.52p to 4.05p net.

Net asset value per share is stated as 121.1p (105.7p) fully diluted.

Wedgwood makes up lost ground in third quarter

REPRESENTING a third quarter pick up, Wedgwood turned in unchanged pre-tax profit of £6.28m for the nine months to December 30, 1978, and Sir Arthur Bryan, chairman, reaffirms his forecast that full year profits will show a modest increase on last year's record £8.35m.

At the halfway stage profits of this Stoke-based fine china, glassware and pottery manufacturer fell from £3.96m to £3.81m.

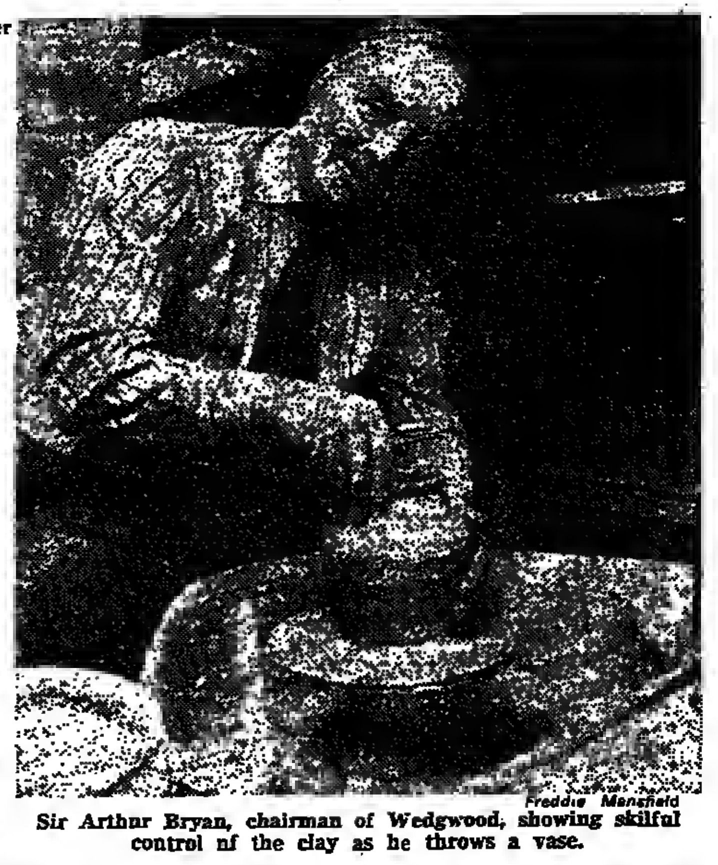
Profit margins—on the 15 per cent increase in sales to £63.04m for the nine months—declined from 11.5 per cent to 10 per cent. The reduction was due to higher interest charges, continuing weakness of the U.S. and Canadian dollars, and rising costs of materials and services on a broad front.

As far as labour costs are concerned, the main factor has been a disappointingly small improvement in productivity due in a large measure to high absenteeism which prevailed. Despite these adverse influences the profit on sales was 10.8 per cent in the third quarter compared with 9.5 per cent in the first half.

Sir Arthur states that it is now apparent that industrial action outside the industry, resulting in a return to high inflation and the remedies for this such as higher interest rates and threatened higher taxation, will not help the company to recover lost ground in the final quarter of the year. It is clear that industrial action, extensively reported overseas, and the high costs of staying, eating and travelling in London have frightened off many overseas visitors and this important market is far from buoyant. However, overseas and in the provincies business is holding up well and he expects some further improvement in sales in this final quarter.

The company has been obliged to increase its prices in all markets and these increases take effect at varying dates between January 1 and May 1 this year.

Higher tax of £1.53m (£1.36m) for the nine months resulted in stated earnings falling from 13.2p to 12.8p per 25p share. Comprising adjustments in the value of net assets and borrowings overseas due to fluctuations in exchange rates, extraordinary debits for the period amounted to £1.06m (£1.35m).



Freddie Mansfield

Sir Arthur Bryan, chairman of Wedgwood, showing skilful control of the clay as he throws a vase.

● comment

Wedgwood has progressively scaled down its growth expectations as the quarters of the year to next April have clicked by and, after nine months, the group is now looking for no more than a modest increase for the year as a whole. The dollar, of course, is the chief hindrance although Wedgwood's ability to push through a 12½ per cent price increase in the important U.S. market last May has lifted third quarter margins. Yet the problem, as recent currency fluctuations stress, is not going to disappear overnight and may well worsen in the fourth quarter. Scare stories in American newspapers have also hit the tourist market and retail sales in the West End have fallen by 15 per cent. That may prove just a short term problem and the completion last month of the £2m New Jersey distribution centre should boost efficiency in North America. The £6m investment programme in the UK will be completed by the autumn with a substantial effect on bone china and giftware capacity but the current high level of short term debt is impinging heavily on advances achieved at the operating profit level. The shares dropped 2p yesterday to 98p where the fully taxed historic p/e is 9.1 and the prospective yield is 6.3 per cent.

Brasway faces waste disposal charges

Charges have been brought against Brasway, the scrap processor and tube manufacturer, concerning the operation of its waste disposal division between 1973 and 1976.

Brasway and four of its ex-employees have been charged with:—

Contravention of section 1 of the Deposit of Poisonous Waste Act 1972.

Contravention of section 1(1) of the Dumping at Sea Act 1974.

Contravention of section 15 of the Theft Act 1968.

In a letter to shareholders reviewing the company's performance and prospects, Mr. R. A. Swaby, the chairman, reveals that counsel's services have been retained. The preliminary hearing in the Magistrates Court will be next week.

Brasway first became aware of police inquiries into the waste disposal operation in 1975, says Mr. Swaby. "In the light of information reaching the main board" and knowing the division was working at a loss, the Board decided to close it down in 1976. The terminal loss on the division, from 1974 to date, is estimated at £150,000, says Mr. Swaby.

The charges caused the Board "surprise and dismay. We are blameless," Mr. Swaby says.

He hopes shareholders will have the confidence to remain with the company "for apart from this I foresee a dramatic growth in the fortunes of the company."

Mr. Swaby adds that the group has been hit by the bad weather and the lorry drivers' strike. There has also been problems in commissioning plant, and the comparatively new offices at Cardiff were gutted by fire in January.

But he says the group was on target at the end of January, and the directors still expect to achieve forecast taxable profits of £450,000 (£213,000) for the full year.

Christian Salvesen up £3.3m

TAXABLE profits of Christian Salvesen jumped from £6.18m to £9.51m in the year to September 30, 1978 on turnover up 20 per cent at £124.2m.

But Mr. L. M. Harper, chairman, warns that, because of rising interest rates and inflation, it is difficult to foresee any profits increase in the current year.

In 1977-78 the group cut interest payments from £3.75m to £2.07m.

Tax for the year takes £5.23m, against £3.09m. Available profit comes out at £4.59m (£3.71m) and stated earnings per £1 share are well up from 27p to 38.1p.

The final dividend of 6.2p lifts the total from 8.8p to 10.6p.

Progress at Countryside Properties

Commenting on future prospects for house-builders Countryside Properties Mr. Alan Cherry deputy chairman told holders at the annual meeting that there continued to be good demand for the group's housing.

Forward sales, he said, had increased to £7m compared with £5m mentioned in the chairman's statement.

Mr. Cherry said that the level of business in the current year had been reasonable despite difficult conditions caused by the various industrial disputes, the abnormally bad weather and higher interest rates.

The group, he said, had recently aquired further quality sites in the London commuter area which, together with existing land stocks, enhance future prospects.

Berisfords ahead to £1.15m

FOLLOWING A £12,000 rise to £449,000 in midway profits, Berisfords, maker of ribbons, trimmings, labels and home furnishings, ended the November 18, 1978, year ahead at a record £1,152,590 pre-tax, compared with the previous year's £1,035,048. Turnover increased from £7.44m to £8.58m.

After tax of £67,913 (£107,141) net profits were £1,084,677, compared with £927,907, reflecting a change in accounting policy whereby no provision has been made for deferred tax if liability is unlikely to arise in the foreseeable future.

Stated earnings advanced from 22.9p to 26.8p per 25p share, and a final dividend of 2.087p lifts the total net payment to 2.8617p (2.4229p) with an additional 0.0264p for 1976-77 also payable.

Mr. J. F. Sebire, the chairman, says the current year opened well and the group had a record month for sales in December. But industrial unrest combined with severe weather conditions caused a slowing down in January with little encouragement for buyers to look ahead.

The group's programme of re-equipment continues and it is planning some big capital spending in 1979 with the building of a new yarn dyeworks, additional high speed needlelooms and embroidery machines for its newest division.

This programme which will cost almost £1m will be financed from the group's own cash flow supported by agreed bank facilities.

Given normal trading conditions, both at home and overseas and with the wide range of goods now being produced, the directors are budgeting for approximately £10m group sales for 1979 and production plans are being made with this end in view, the chairman states.

He points out that while all divisions made a valuable contribution to 1977-78 sales, the largest increase continues to come from its ribbon division.

Exports exceeded expectations and reached almost £1.75m—the percentage increase of exports (nearly 20 per cent) was greater than that of home trade (15 per cent).

Mr. Sebire says profit margins on exports are being kept under close observation because of their erosion by reduced competitiveness of sterling, particularly against the U.S. dollar.

Gripperrods well ahead at midway

AN ADVANCE in taxable profits from £258,221 to £465,132 is reported by Gripperrods Holdings, the carpet laying fittings manufacturer, for the half-year to October 31, 1978.

In 1977 the company acquired from the receivers the assets and goodwill of Cimco International and Cimco SARL, its French subsidiary. The results of Cimco International are not included for the period from August 22, 1977, to October 31 of that year.

At the end of last year the chairman, reporting taxable profits of £631,000 (£484,000), said the group's sales, which included the acquisitions, had increased. At the halfway stage turnover was well ahead at £5.84m, against £3.75m.

Tax takes £241,869 (£134,275).

The interim dividend per 10p share is raised from 1.65p gross to 1.815p and dividends on 1,095,546 (987,675) were waived. Last year's total payment was 4.64p. Earnings per share are stated at 8.93p (4.96p).

West Coast and Texas

Gross revenue of West Coast and Texas Regional Investment Trust improved from £179,314 to £239,008 in 1978, and pre-tax profits rose from £64,933 to £106,533.

The net dividend is stepped up from 0.75p to 1.1p on stated earnings of 1.83p (1.14p) per 10p share.

Taxable profit was struck after interest of £132,475 (£114,381). Tax for the 12 months took £51,757 (£30,638).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Berisfords	2.09‡	April 11	1.72	2.86	2.42
Carrington Viyella	1.68	April 19	1.51	2.35	2.1
Eleco int.	0.9	May 9	0.75	—	1.94
Fitzwilton int.	1.8	March 5	1.5	—	2.1
Foreign & Colonial	3.28	April 8	2.77	4.53	3.77
Gillett Discount	10.25†	—	8.58	16.85	15.18
Gripperrods int.	1.82§	April 3	1.65	—	4.64
R. & J. Pullman int.	2.02	—	1.81	—	6.06
Rohan Group int.	2	—	1.5	—	3.75
TACE	1	April 5	0.75	1.5	1.25
U.S. Debenture	2.9	May 21	2.37	4.05	3.52
Utd. Real Property int.	25	April 10	1.25	—	5.63
Wiggins Construct. int.	0.83	April 23	0.77	—	1.65
Yeoman Inv.	5.63	April 4	4.95	8.63	7.59

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Additional 0.0266p for 1976-77. § Gross dividends.

Rohan jumps by 86%

WITH A considerable increase in the level of its activity in both Ireland and the UK, Rohan Group raised taxable profit by 86 per cent from £244,000 to £455,000 for the half year to October 31, 1978. Sales by the company which makes system building units and has interests in estate development etc., climbed £4.01m to £10.38m.

Demand for industrial space continues to be strong but to offset any possible downturn in the next financial year a number of joint venture industrial developments have been negotiated covering the next two years. In addition, the increase in the group's financial base resulting from arrangements with the Industrial Credit Company has enabled the group to further expand its industrial estates division.

Based on turnover to date Mr. J. S. Rohan, the chairman, says he expects the second half surplus to better the result for the first six months. Last year the group continued its progress since the £0.37m loss reported in 1974-75, with a record £0.55m. Mr. Rohan also expresses confidence of further growth in 1979-80.

The net interim dividend is stepped up 33 per cent to 2p (1.5p) per 10p share and costs £90,600 (£52,950). The final last time was 2.25p.

Net profit emerged higher at £249,000 (£147,000) after tax of £206,000 (£97,000).

Tace finishes on £0.56m

MOST OF the ground lost by Tace in the first six months had been regained by the end of 1977-1978. With £351,000, against £305,000, coming in the second half, the group, which makes electronic, electrical and mechanical control equipment etc., finished the year to September 30, 1978, showing pre-tax profit marginally lower at £558,000, compared with £577,000.

The group's UK companies produced a 34 per cent advance in surplus from £430,000 to £542,000 but this performance was offset by an £84,000 loss (£97,000 profit) in Holland. Overall group sales were more than £1m better at £13.67m despite a £0.25m downturn to £2.76m for the Dutch subsidiaries.

Profits for the opening months of the current year are ahead, the directors say. Closure of one Dutch factory began in the last quarter and the companies in Holland returned to profitability in the first three months of 1978/79. The cost of the closure, amounting to £308,000, comprises most of the extraordinary debits of £360,000 (£99,000).

With a net final dividend of 1p lifting the total by 20 per cent to 1.5p (1.25p) distributions move closer to the level seen in 1973/74 of 2.02125p. Profits had reached a peak £0.94m in the previous 12 months and fell to around £0.4m in 1974/75.

With the tax charge for 1977/78 lower at £89000 (£204,000) earnings per 10p share emerge 1.84p higher at 6.2p. Year end net tangible assets per share amounted to 59.1p (58.5p).

Wiggins Construct. increases

An increase in pre-tax profits from £141,000 to £161,000 for the six months to September 30, 1978, is reported by Wiggins Construct, estates contractor and developer.

Turnover rose from £9.15m to £12.32m. The net interim dividend is lifted from 0.77p to 0.825p per 10p share, and costs £44,000 (£41,000). Last year's total payment was 1.649p on pre tax profits of £435,000.

After tax of £38,000 (£65,000) net profits in the six-month period were £123,000 against £76,000. Minority interest amounted to £21,000 (£1,000).

More delay on Swan Hunter payout

There is to be further delay in the payment of the first distribution from the remnants of Swan Hunter Group, now in voluntary liquidation. The joint liquidators, who had aimed to effect a payment by February 28, now state that they hope to make an announcement about the timing and amount of the payment in about four weeks' time, or before, if matters are resolved earlier.

The liquidators of what is left of the group following the nationalisation of its shipbuilding interests and the hiving off of its other activities to a new company, say they have not yet received sufficient information to assess unspecified claims, but they still do not believe these claims will prove material.

Utd. Real Property

An increase in pre-tax profits from £765,000 to £778,000 in the half-year to October 5, 1978, is reported by United Real Property Trust.

The net interim dividend is the same at 1.25p—last year's total payment was 5.625p on pre-tax profits of £1.6m.

Tax in the six-month period takes £380,000 against £410,000.

UNIGATE

Unigate has purchased, for cancellation, through the market £1.57m of the 8½ per cent Convertible Unsecured Loan Stock 1992-97.

MINING NEWS

Mt. Lyell turns the corner

BY KENNETH MARSTON, MINING EDITOR

ONE OF the hardest hit producers of copper during the base-metal depression, Australia's Mount Lyell expects to return to profitability in the current half of its financial year to June 30. The turn-round reflects recent production increases and the recovery in the price of copper.

However, the Consolidated Gold Fields group company points out that for some time to come cash surpluses will be required to provide for repayment of the A$3.37m (£1.9m) subsidies received from the Australian Federal and Tasmanian governments and to meet capital expenditure.

Meanwhile, Mt. Lyell reports a loss of A$1.13m for the past 28 weeks to January 10, after receipt of subsidies, which compares with a deficit of A$1.04m in the same period of a year ago. No subsidy has been received since last August because of the increased production and higher copper prices.

Mount Lyell is providing A$1.8m for the loss on its interest in North-West Acid. The latter, which was equally owned by Mount Lyell and EZ Industries, is to close down its sulphuric acid plant at Burnie, Tasmania, at the end of June because of continuing losses.

The close-down is announced by EZ which has now acquired all but 0.02 per cent of Mount Lyell's holding in North-West Acid. The last-named loss rose to A$1.03m in the year to last June and its plant has sustained serious losses ever since its commissioning in 1970 which have resulted from poor performance, heavy spending on environmental requirements and frequent strikes.

The acid plant was originally commissioned to make use of waste products from the mining operations of Mt. Lyell and EZ on the west coast of Tasmania. The waste products, iron pyrites, were converted into sulphuric acid which was used mainly for the production of fertiliser.

Shares of Mount Lyell were 23p yesterday. At one time last year they had fallen to 10p before moving up to 74p on the recovery hopes that now appear to be materialising. EZ shares were 278p yesterday.

Discussions which have been taking place between Billiton and Cornwall Tin and Mining have now been concluded. As a result, a new company in the Billiton group will acquire from Cornwall Tin and Mining a substantial part of the assets on the Mount Wellington tin mine site at Bissoe, near Truro, in Cornwall. As already announced, Billiton intends to use the Mount Wellington plant in conjunction with Billiton's existing and future operations in Cornwall to process tin containing materials from tailings dumps. No resumption of mining operations at Mount Wellington is envisaged.

RCM recovery gathers pace

ROAN CONSOLIDATED MINES (RCM), the Zambian copper producer in which the state has a majority holding, has continued the recovery which first became apparent last June.

This is evident from the December quarter figures, announced yesterday in Lusaka. There was a quarterly net profit of K8.76m (£5.46m) compared with a loss of K6.39m in the June period of 1977. In the first half of the financial year to June there was a net profit of K18.5m (£11.5m) against a 1977-78 first half loss of K15.9m.

But the company remains encumbered with a heavy burden of debt. A spokesman said there remains "a shortage of liquid resources and, for this reason and also bearing in mind needs to retain profits to fund capital expenditures, no dividend has been declared in respect of the quarter."

Clearly profits were helped by cobalt sales, for which demand has been strong since the uprising in Shaba interrupted supplies from Zaire, the world's largest producer in the middle of last year. RCM should continue to draw benefit from cobalt; plans for doubling production were announced last July and a new plant is being commissioned.

RCM has also caught favourable winds from the copper market, but has not been under full sail. The average price it received during the December quarter, at K1115 a tonne, lagged behind London Metal Exchange quotations, as the group continued to tussle with transport problems. Production at the smelters was below average.

December quarter sales were down at 52,930 tonnes from 70,868 tonnes in the September quarter. Sales revenue in the last quarter at K68m was K12m lower than in the previous quarter.

A spokesman said that once the transport problem has been solved, the prices RCM receives should more nearly approach those of the LME. This at least will enable the group to take fuller advantage of the firmer market and help towards paying off the debt load. Borrowings have in fact begun to decline. Yesterday in London the market gave RCM a vote of confidence by raising the shares 5p to 105p.

Profits grow tenfold at Brunswick

NET PROFITS rose tenfold at *Brunswick Mining and Smelting* last year, as the Canadian base metals producer gained the benefits of the fall of the Canadian dollar and higher prices for copper, lead, zinc and silver, writes John Soganich from Toronto.

Net income was C$25.6m (£10.7m) or 75 cents a share in 1978 against C$2.4m or seven cents a share in 1977.

The depression of the Canadian dollar has played a role in pushing up the profits of a number of Canadian groups which recently have reported 1978 figures. On Monday, Noranda, Brunswick's parent—it has a 64.1 per cent holding—noted that for every cent the Canadian dollar fell there was a gain of C$5m on the group's net income.

At Brunswick, the return on net assets in 1978 was 13 per cent compared with 2 per cent in 1977. With the aid of higher lead and zinc grades, the volume of concentrates tonnage produced rose despite the lower tonnage milled.

The improvement in the markets has enabled Brunswick not only to pay off short-term debt but to resume a mine expansion programme which will increase the amount of ore handled to 11,000 tons a day and will come on stream in January next year.

CONEX AND THE MT. PERCY DEAL

Conex Australia states that, on the advice of its solicitors, it is reconsidering its position with regard to the letter of intent entered into with *Samantha Mines* and Otter Exploration regarding diamond exploration claims at Mt. Percy in the West Kimberley gold fields.

Conex states that the second thoughts arise from its having learned that prior to the execution of the letter of intent, Samantha, Otter and the Selection Trust group's Australian Selection Mining Ventures had access to results of aerial photographic and an magnetic survey carried out over Conex's Mt. Percy diamond prospect mineral claim 04/2252.

It is added that Samantha and Otter, title holders to 33 mineral claims bordering mineral claim 04/2252 on three sides, agreed to transfer a 10 per cent interest in the 33 mineral claims for a 10 per cent interest in mineral claim 04/2252.

Australian Selection Mining Ventures was signatory to the letter of intent by way of its interest to earn a 60 per cent interest in the mentioned 35 claims and others nearby, by way of an exploration agreement with title holders of these areas being Samantha and Otter. The total 36 mineral claims would be part of that joint venture.

ROUND-UP

The Guyana Government has granted Cogema, the French company, rights to explore for uranium, and geologists will start surveys in September. Talks about a further agreement will be held after the surveys have been completed. Canadian and West German companies have also been in touch with the Guyana Government about uranium prospecting.

* * *

Markross and Lightfoot Brothers, two Perth companies run by Mr. Ross Lightfoot, are having discussions with a major U.S. mining group about exploration for the goldfields of Western Australia. Mr. Lightfoot has just received approval for 58 mining leases his companies have claimed. He said the area had never been properly explored.

* * *

Despite economic sanctions and the internal war, Rhodesian mineral production in value last year by six per cent over 1977 to R$252.2m (£185m), reports Tony Hawkins from Salisbury. It was the fifteenth successive year of increase. But the volume of production fell by 7.5 per cent. The industry benefitted from higher prices for gold, copper and asbestos.

BIDS AND DEALS

Eagle Star restructures to increase flexibility

BY ERIC SHORT

The Eagle Star Insurance Company has announced its intention to alter the group structure by the formation of a group holding company which would control all group operations. It will be submitting to shareholders a scheme of arrangement under which shares in the company will be exchanged for an equal number of shares in the proposed new holding *company*, which will be named Eagle Star Holdings.

Mr. Tony Ratcliffe, chief general manager of Eagle Star, pointed out that the immediate advantages of this development were that it gave the company more flexibility in raising capital, in its dividend policy and in its general organisation. The *company would have declared its* final dividend for 1978 before Eagle Star Holding could come into existence. Being a non-insurance company, it could raise prior debt capital to boost the solvency margins of its subsidiaries, a method of capital raising which was not possible under the current establishment with the company classified as an insurance company.

But Mr. Ratcliffe stated that EEC considerations had as much to do with this rearrangement as these other features. It was felt that sooner or later, the EEC would require insurance groups to run their various operations as completely separate companies. Eagle Star had recently experienced this in one European country where because it had a licence to non-life business, it could not get one to do life business.

The Prudential Group has already taken this route in reorganising its method of control. The Prudential Corporation which came into existence at the end of last year is a non-insurance holding company which controls the operation of the Prudential conglomerates.

Eagle Star will shortly be sending full details of this scheme to shareholds.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brown Brothers, Commercial Bank of Australia, Robert M. Douglas, National Carbonising, Joseph Stocks, Tar Investment Trust.

Finals: Allied Insulators, Anglo-International Investment Trust, Barclays Bank, Bath and Portland, Cardinal Investment Trust, City Offices, Imperial Chemical Industries, Lancashire and London Investment Trust, Newbold and Burton, Olives Paper Mill.

FUTURE DATES

Interims—	
Australia and Intnl. Trust	Feb. 28
Helene of London	Feb. 26
Raine Engineering	Feb. 28
Unochrome International	Feb. 23
Walker (Thomas)	Mar. 1
Finals—	
Grindlays Holdings	Feb. 27
Misconcrete	Mar. 20
Mount Charlotte Investments	Feb. 27
Royal Dutch Petroleum	Mar. 8
Shell Transport and Trading	Mar. 8
Trade Indemnity	Mar. 13
Unilever	Mar. 6
Unilever NV	Mar. 6

CROWN HOUSE FORECASTS £4M

CROWN HOUSE is forecasting pre-tax profits of about £4m for the year to March, compared with £3.3m.

The forecast was in the offer document sent to shareholders of Best and May, the electrical group, yesterday.

Best and May has also made a profit forecast in the document, as requested by Crown House. Crown had asked it to underpin profits of not less than £309,000—Best and May's Board has now put its signature to a £330,000 minimum forecast.

Crown is offering one of its own shares plus 16p in cash for every Best and May share, worth 84p compared with yesterday's market price for Best and May of 82p, a 1p improvement on the day.

Crown's offer has been accepted by the Best and May Board which controls 11.5 per cent of the equity. Crown holds a further 22.27 per cent which it bought in the market between last August and the beginning of this month. As late as the end of January it was acquiring the shares for around 66p, but by February 1 the market price had lifted to 80p.

ELSWICK BUYS TURNER INTL.

Elswick-Hopper, the agricultural equipment distributors and property developers has agreed to acquire Turner International (Engineering) the grass mower manufacturer in a deal worth initially £500,000.

The purchase price is to be satisfied through the issue of Elswick-Hopper shares. The initial cost is £500,000 but this could rise by up to a further £665,000 depending upon Turner's profit performance in the year to September 30, 1978. Turner, which manufactures grass and scrub cutters largely for public authorities, earned pre-tax profits of £285,750 in the 13 months to September 30, 1978.

Depending upon the group's profit performance in the current year the family holdings of Mr. A. L. Turner—owners of Turner International — will acquire between 11.42 per cent and 17.92 per cent of the enlarged Elswick-Hopper capital.

SHARP PROFIT ADVANCE BY TRIDANT PRINTERS

Interim profits of Tridant Group Printers rose from £212,900 to £397,451 in the six months to September 30, 1978.

This is revealed in an explanatory document sent to former Tridant shareholders yesterday outlining the terms of a deal by which Starwest Investment proposes to acquire the legal and professional division of Tridant for £375,000.

The document also reveals that Starwest has agreed to assume responsibility for discharging liabilities totalling £428,882 against the legal and professional division which made a trading loss of £5,000 last year.

This follows the acquisition of Tridant by Argus Press Holdings at the end of last year. The City Takeover Panel however has ruled that the proposed sale of the Legal division to Starwest must be approved by former Tridant shareholders—on the register at October 30, 1978.

Originally Starwest had bid for the whole of Trident but its offer lapsed after a higher bid from Argus—a subsidiary of British Electric Traction.

Argus now controls over 98 per cent of Tridant's ordinary shares and over 91 per cent of the preference shares.

In the first six months of the current year, Tridant turnover rose from £5m to £6.1m.

ALGINATE EXTENDS

Despite having acceptances in respect of 98 per cent of the new ordinary and deferred shares and 83 per cent of the preference of Alginate Industries, Merck and Co. is extending its bid until February 27. The bid cannot go unconditional until the Office of Fair Trading has announced whether it is to be referred to the Monopolies Commission.

SIME DARBY

"Guthrie's *earnings* continue to follow the pedestrian trend of earlier years," says Tun Tan Siew Sin, chairman of Sime Darby Holdings, in a letter to Guthrie shareholders urging them to accept Sime's 425p per share cash offer. The offer has been extended to March 2.

Siew Sin rehearses the arguments on Guthrie's assets, earnings and dividends and defends Sime's own record as an employer. The Guthrie board has failed to answer the key questions posed in Sime's original letter to Guthrie shareholders, he says.

Mr. Ian Coates, chairman of Guthrie, said last night, "These are the same arguments that got them 1½ per cent acceptances." He could not understand why Sime should persist with an offer which had received such a derisory level of acceptances. The bid had become "tired and boring," he added.

ELLIOTT PETERBORO' SELLS WHARFING DIVISION

The Elliott Group of Peterborough has sold Medway Wharfingers, together with the reversionary interest in the freehold of Phoenix Wharf to William T. Eden (Importers), for a consideration of £33,500 in cash, after the payment of a dividend of £117,000 by Medway Wharfingers to Elliott.

Net tangible assets of Medway at March 31, 1978, the last audited balance sheet date, amounted to £407,000. It made a pre-tax profit of £51,000 in the year ended on that date, but in the first nine months of the current year it incurred a loss of £70,000.

Medway Wharfingers was part of Medway Industries, which Elliott acquired in 1976 for £181,000. The sale is in accordance with Elliott Group's declared policy of reducing its borrowings, which will fall by some £600,000 following the sale.

The merger of these two interests should enhance the future development of wharfing facilities on the River Medway.

GEI EXTENDS MOSS OFFER

GEI International has extended its contested £3.63m offer for Moss Engineering Group until Tuesday, March 6.

The bid, which Moss has described as both opportunistic and inadequate, had been due to close on February 20. GEI is offering nine of its shares for every ten Moss shares.

At first closing date for the offer GEI controlled only 127,500 Moss shares, representing a 2.7 per cent stake.

BARCLAYS INTERNATIONAL

In the U.S., Barclays International hopes to have a reply from the federal reserve authorities by the end of March to its proposal to buy American Credit Corp., a retail credit institution, Mr. Anthony Tuke, the chairman, said.

The US$200m deal would be the biggest acquisition that Barclays has ever made, giving it an indirect presence at the bottom end of the market much more widespread than it would be able to get through a bank.

Also, Barclays, Europe's fifth and the world's 14th largest bank, has opened a new branch office in Rome, marking its return to the Italian capital after an absence of 28 years.

The group's current financial involvement in Italy exceeds £300m. Mr. Tuke said that he is expecting to expand the group's activities, particularly in the south of Italy.

SHARE STAKES

M. F. North—Phillip Kaye has acquired an interest in 1,289,250 shares (6.47 per cent) and Reginald Kaye has acquired an interest in 1,035,000 shares (5.17 per cent).

Armitage Shanks Group—Ceramics Holdings S.A. of Panama has acquired a further 250,000 shares, making holding 2,435,000 (11.64 per cent). This makes Ceramic the largest shareholder in Armitage which is proposing to merge with Johnson-Richards Tiles despite a contested bid from Norcros.

Chubb and Son—Kuwait Investment Office on February 15 sold 25,000 shares, leaving interest at 3,331,250.

Fitzwilton up 40% so far and around £1m forecast

REFLECTING a continuing recovery at Fitzwilton, pre-tax profits for the six months to December 31, 1978, improved from £468,000 to £656,000.

Net profits at £466,000 show an increase of some 40 per cent and the directors expect those for the second half to exceed those now reported. This would give a net figure of over £932,000 compared with £750,000.

The interim dividend is raised from 1.5p to 1.8p net—last year's total payment was 2.1019p.

As a result of investment portfolio performance and a better contribution from the textile division, subsidiaries trading profit advanced from £284,000 to £537,000 in the first half. The share of associates profits fell from £222,000 to £185,000 due to seasonal fluctuations in timing of Goulding Chemicals' sales.

Commenting on this, the directors say they think the outlook at Goulding is better than in 1978.

There was a rise in the profit attributable to the investment in Independent Newspapers, to which the market value of the company's investment at December 31 was £3.5m against £1.3m at the same date a year earlier.

First half taxable profit was struck after depreciation of £21,000 (£23,000) and interest of £15,000 (same).

• comment

Profits before tax at Fitzwilton are 47 per cent better, most of which represents an increase in the interest earned on the company's liquid assets. The textiles side is the only trading subsidiary and this probably contributed about a fifth of the subsidiaries' total. Associates, meanwhile, are down at the half way stage due to a bigger loss from Goulding—the comparable associate figure was artificially high last year on account of a change in Government policy on fertiliser subsidies. The company is nonetheless confident that the second half at Goulding will show a better profit than last time. The other main associate Independent Newspapers continues to perform well but Fitzwilton's stake has been reduced from 28 per cent to about 23 per cent. At 31p the shares are on a prospective p/e of about 12 based on last November's profits forecast of around £1.3m.

Butlin's jumps to £7.5m

TAXABLE profits of Butlin's jumped from £6.24m to £7.5m in the year to October 31, 1978, on turnover well ahead at £54.31m against £46.73m.

The pre-tax profit of the group, which is a subsidiary of Rank Organisation, is struck after depreciation of £1.24m (£889,000) and interest up from £1.19m to £1.58m. Tax takes £3.96m, compared with £3.22m.

Attributable profit comes out at £3.57m (£3.17m) and stated earnings per 5p share are ahead from 2.74p to 3.2p. The dividend absorbs £3.51m, against £3.06m, and the retained surplus is down from £77,000 to £23,000.

Daejan doubles to over £2m

A SHARP rise from £2.18m to £3.98m in the surplus on sales of properties helped Daejan Holdings to more than double taxable profit from £1.03m to £2.15m in the half year to September 30, 1978.

Though the buoyant sales have not been repeated in the winter months since half time the directors expect the profit for the year to be ahead of the record £2.47m achieved in 1977-78.

Rental income and charges receivable, less property outgoings, for the first half were £0.11m up at £1.91m and other income added £101,000 (£96,000), putting total income ahead to £5.98m (£4.08m).

Profit, which is shown after financing charges and other expenses of £2.83m (£3.04m), would have been higher but for an exceptional £1m provision against property outgoings to be incurred in the next few years in bringing the group's repair and redecoration programme up to date.

Tax up from £386,000 to £945,000 left the net balance at £1.19m (£0.63m). Earnings per 25p share jumped to 7.33p (3.91p).

A maintained gross interim dividend for a net payment of 1.1725p per (1.155p) per 25p share has already been declared. Last year's total was 2.9975p net.

Bett Brothers shows some optimism

In his annual statement, Mr. A. A. Bett the chairman of Bett Brothers, building and public works contracting group, forecasts that it can look forward to the current year's results with a limited degree of optimism.

He says its general contracting division will continue to tender for selected contracts and will be able to take advantage of any upturn in the market.

Mr. Bett believes that owner occupation will continue to expand in Scotland, and adds that with its land bank resources, the group will be in a strong position to substantially increase house sales during the current year.

The subsidiaries allied to the building sector will also reap advantage from any upsurge in the level of private housing sales, be states.

Bett Brothers (Properties) has several new developments in the pipeline, and this, with the commencement of rent reviews, will ensure a continuing increase in rental income.

Although turnover and profits exceeded estimates made at the interim stage, pre-tax surplus for the August 31, 1978 year fell from £2.66m to £2.04m on sales of £20.62m (£19.42m) as reported January 12.

At balance date, group fixed assets stood at £5.91m (£5.46m) and net current assets were marginally lower at £3.5m (£3.59m). Bank overdraft increased from £0.36m to £1.31m.

Meeting, Dundee, March 9, noon.

Interim rise for Pullman

FOR THE seven months to October 31, 1978, R. and J. Pullman, the clothing group, reports pretax profits of £505,000 on £3.57m turnover, compared with £403,000 and £6.25m respectively for the corresponding six months of 1976-77.

Mr. Maurice Hope, the chairman, says increased profit was achieved despite the warm October which depressed sales. While, the traditionally more important second half began very well with heavy sales in the run up to Christmas.

Following the company's change of year-end, the chairman, says all present indications are that figures for the current 13 months period will be far in excess of 1977-78, when £1.05m pre-tax profits were reported.

He explains that the January lorry drivers' strike held up exports and delayed the importation of certain raw materials, but backlogs are now being cleared and the overall result of the stoppage should not have much effect on full year results.

The company also announces its acquisition this week of Herbst, trading as Alldae Maternity Wear, a London-based manufacturer.

Stated earnings per 5p share on increased capital were 7.4p (7.04p on old capital), and the interim dividend is lifted from 1.51p to 2.02p net, costing £136,000—last year's final was 4.25p.

No tax is payable for the period because of credits and retained profit emerged at £369,000.

Prudential in Holland

Prudential Assurance's new branch in Holland hopes to achieve premium income of around £1½m on a "rough and ready" estimate within its first five years. Expansion may be more rapid but this will depend on the reception given by the intermediaries it will work through, Mr. Desmond Craigen, chief general manager, told a Press conference in Amsterdam.

The company's only other life insurance subsidiary in the EEC is L'Escaut in Belgium. It acquired this company seven years ago and it now has annual life premium income of £2m. Less than 1 per cent of Prudential's ordinary life assurance income came from the EEC in 1977.

Prudential will start by offering individual life insurance and personal pension schemes but will later develop mortgage lending, probably linked to life insurance, and group pension schemes. The Prudential withdrew from the UK mortgage market in the early 1960s.

It will continue to be represented by Blom En Van Der AA on non-life business in Holland. Prudential will have a staff of 12 when it opens for business on April 1. Equity and Law and Commercial Union, through its Delta Lloyd subsidiary, are British insurance companies already active in Holland in the life assurance market.

GRE enters linked life field

Another major UK composite insurance group, Guardian Royal Exchange, has announced its entry into the linked life field. The group has formed a new subsidiary, GRE Linked Life Assurance, known as GRELLA, with an issued capital of £1m of which £250,000 is paid up.

This is not the first time that GRE has ventured into the linked field. It had previously offered a plan linked to its unit trust Guardhill and a property bond. But the sales of the products have been minimal over the past few years and GRE has completely revamped its linked operations with the aim of being a major force in this field.

The new company is offering three plans—two regular savings and a bond, which can be linked to one or more of six funds—equity, property, fixed-interest, deposit, international and mixed. There are the usual facilities for switching between funds. The Capital Builder plan aims at providing the smaller investor with a regular savings scheme, while the High Investment Plan is a savings plan for the high rate tax-payer. The investment bond allows for lump sum investment.

In recent years several traditional insurance companies have entered the linked life field, the big way, the latest entrants being Legal and General in November 1977 and Sun Alliance a month later. This market has been boosted by the recovery in linked life business. Last year was the best for linked bonds since the boom years of the early 1970s.

But GRE is adopting a slightly different approach from that taken by the other life companies. The new subsidiary is owned by the life fund, so it is policyholders' money, rather than shareholders' funds that are being used to finance the venture.

Standard Life raises bonus

Standard Life Assurance, Scotland's largest life company, has again increased its reversionary bonus rates on all with-profit business to record levels. On ordinary with profits contracts the rate for 1978 is lifted to £4.25 per cent of the sum assured from £4 per cent previously, though the rate on attaching bonuses remains at £5 per cent. This reduction in the bonus differential represents a trend by the company to ensure that bonus increases have a more immediate effect, while still giving the contracts that have been in force the longest a higher bonus.

The company has also lifted its rates for its Special Claims Bonus —a terminal bonus payable on death or maturity claims. The scale of rates is complex based on the year of entry. But the maximum rate for contracts taken out in 1938 or earlier is now 52½ per cent of the sum assured and attaching bonuses against 47½ per cent previously.

On with-profits Personal Pension Plans and Stanplan A, for the self-employed, the rate is lifted to £5.60 per cent of the basic benefit and attaching bonuses from £5.25 per cent on annual premium contracts and from £4.75 per cent to £5.10 per cent compound for single premium policies. The same rate as for these annual premium contracts applies to the voluntary contributions and Stanplan M and M2.

Substantial increases in both reversionary and terminal bonus rates have been announced by The National Mutual Life Association of Australasia. The reversionary rate for 1978 on ordinary life business is lifted to £37 per mille of sum assured from £34 per mille previously, with the rate on attaching bonuses, compared with £42 per mille in 1977. On the current series of pension business policies, the 1978 rate is £44 per mille of basic benefit and attaching bonuses, compared with £42 per mille previously.

The company is also increasing its terminal rates from April 1, 1979. On ordinary life business, the new rate is £12 per mille for each complete year in force except the first five, as against £10 per mille previously and £15 per mille for pensions business compared with £12 per mille. On maturity claims the terminal bonus relates to the sum assured, or basic benefits, and attaching bonuses. But for death claims it is based on the surrender value at the date of death.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume, retail sales value (1971=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1977							
4th qtr.	105.8	101.9	100	104.7	239.6	1,431	157
1978							
1st qtr.	106.9	102.1	99	106.4	246.4	1,409	188
2nd qtr.	110.9	104.7	97	107.9	254.4	1,367	213
3rd qtr.	111.2	104.9	103	110.7	266.6	1,380	213
4th qtr.	109.9	102.7		111.5	272.5	1,340	230
Sept.	110.5	104.2	109	109.6	265.9	1,378	219
Oct.	108.9	102.1	103	110.2	267.9	1,360	228
Nov.	109.6	102.5		110.5	269.7	1,339	231
Dec.	111.3	103.6		113.8	279.8	1,321	231
1979							
Jan.				109.5		1,339	236
Feb.						1,363	231

OUTPUT—By market sector: consumer goods investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100): housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1977							
4th qtr.	104.9	97.1	114.3	98.2	95.4	100.2	20.7
1978							
1st qtr.	105.2	99.1	116.1	100.0	95.0	97.8	17.8
2nd qtr.	107.8	98.6	122.6	100.0	107.8	101.0	27.1
3rd qtr.	107.3	100.2	123.3	101.0	101.6	102.8	22.9
4th qtr.	106.3	96.5	123.0	96.0	97.5	100.6	20.6
August	109.0	101.0	123.0	103.0	92.0	104.0	20.3
Sept.	107.0	99.0	123.0	99.0	100.0	101.0	25.1
Oct.	105.0	96.0	121.0	96.0	98.0	100.0	24.5
Nov.	106.0	96.0	125.0	95.0	93.0	102.0	20.7
Dec.	107.0	98.0	125.0	98.0	101.0	101.0	16.7

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance; oil balance; terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1977							
4th qtr.	117.3	102.4	− 16	+580	−659	102.4	20.39
1978							
1st qtr.	119.6	115.8	−590	−361	−620	105.4	20.63
2nd qtr.	122.2	110.0	−173	+135	−414	104.5	16.75
3rd qtr.	124.9	114.4	−365	− 49	−501	105.7	16.55
4th qtr.	125.1	112.8	− 1	+359	−480	106.7	15.77
Sept.	124.4	119.5	−216	−111	−179	106.3	16.51
Oct.	125.9	111.3	+ 40	+160	−135	106.0	15.97
Nov.	122.6	114.1	−108	+ 12	−162	107.3	15.67
Dec.	126.7	113.0	+ 67	+187	−183	106.8	15.69
1979							
Jan.	113.1	107.5	−119	+ 1	− 60	107.7	16.26

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1977							
4th qtr.	23.2	12.6	8.7	+688	1,639	1,189	7
1978							
1st qtr.	24.3	23.8	17.5	+1,811	1,049	1,263	6½
2nd qtr.	8.5	15.7	24.6	+3,391	694	1,398	10
3rd qtr.	16.8	5.3	8.6	+534	746	1,425	10
4th qtr.	9.7	9.7	8.8	+1,480	878	1,425	12½
Sept.	16.8	5.5	8.6	+714	348	478	10
Oct.	13.8	5.5	1.9	+541	363	470	10
Nov.	12.1	10.7	9.9	+113	261	506	12½
Dec.	9.7	9.7	8.8	+836	254	449	12½
1979							
Jan.	13.6	16.5	20.0	+839	289		12½

INFLATION—Indices of earnings (Jan. 1976=100): basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (Dec. 1971=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1977							
4th qtr.	119.9	142.2	145.8	187.4	193.3	234.2	63.3
1978							
1st qtr.	123.1	140.2	149.2	190.6	197.5	238.61	64.6
2nd qtr.	129.9	146.5	151.8	195.8	203.8	242.27	61.5
3rd qtr.	133.2	144.9	154.8	199.2	206.2	253.74	62.4
4th qtr.	136.5	147.1	157.3	202.6	206.0	257.69	62.7
Sept.	134.2	144.2	155.7	200.2	206.3	253.74	62.7
Oct.	135.2	145.7	156.6	201.1	205.6	265.22	62.5
Nov.	136.1	147.5	157.1	202.5	207.9	263.63	62.5
Dec.	138.1	148.2	158.3	204.2	210.5	257.69	63.2
1979							
Jan.		150.6	159.8	207.2	217.5	260.63	63.4

* Not seasonally adjusted.

NORTH AMERICAN NEWS

Aetna's income climbs by 18%

By Stewart Fleming in New York

IMPROVED underwriting results and a 25 per cent rise in investment income have contributed to an 18 per cent rise in net income at Aetna Life and Casualty, the largest all-line insurance company in the U.S.

For 1978, earnings were $501.6m, or $9.29 a share, compared with $423.5m, or $7.87 a share in 1977.

Fourth quarter earnings rose 22 per cent to $132.2m or $2.43 a share compared with $108.1m or $2.01 a share in 1977.

Combined loss and expense ratios for 1978 were 94.4 in the year and 96.2 in the fourth quarter, compared with 93.2 for 1977 and 96.0 in the fourth quarter of 1977.

Pre-tax underwriting profit for the property and casualty operations in 1978 was $189m compared with $177m in 1977. In the fourth quarter, pre-tax underwriting profit rose to $50.3m from $33.7m in the fourth quarter of 1977.

The company noted that underwriting results in home-owners' insurance, private auto insurance and commercial property improved during 1978, but there were higher losses in workmen's compensation and commercial automobile underwriting results declined to a break-even position.

In the 1978 fourth quarter, Aetna had realised capital losses of $8.3m compared with realised net capital gains of $1.51m in the same period of 1977.

For all of 1978, net capital losses totalled $17.9m against gains of $3.85m in 1977.

Renault man moves to AMC

BY JOHN WYLES IN NEW YORK

THE consolidation of the U.S. marketing organisations of Renault U.S. and American Motors Corporation has begun, with the transfer of Mr. James Fuller, a vice-president with the French company, to a new senior post at AMC.

Mr. Fuller's appointment as general manager of U.S. marketing operations at AMC follows the formal agreement last month of the new marketing relationship between France's state-owned motor company and Detroit's smallest passenger car producer. Under the arrangement, Renault cars will be distributed through AMC dealers and AMC's four wheel drive Jeep range will be sold in certain overseas markets by Renault.

Renault's small front wheel drive R5 saloon will go on sale at AMC dealers on April 1, and the appointment of a senior Renault man to a top job in AMC underlines the importance of the venture to both companies. Renault is looking to its access to 2,000 AMC dealers to transform its modest U.S. sales, while AMC is hoping that the increased showroom "traffic" generated by Renault cars will boost sagging sales of its own models.

In the next few months, other Renault employees are expected to move across to AMC to help manage functions such as parts distribution, dealer service training and warranty administration. Mr. Fuller has been vice president in charge of Renault's U.S. sales since May 1975. He will be responsible for integrating Renault's operations with those of AMC, and will look after AMC's fleet and leasing operations and its dealer investment group. He will not, however, be involved for the time being in marketing AMC's jeeps and passenger vehicles.

Terms fixed for latest DM Carter bond issue

By John Evans

THE WEST GERMAN Bundesbank announced yesterday that interest rates had been fixed at 6.3 per cent for the 2½ year notes and 6.7 per cent for 3½ year notes in the latest issue of Deutsche-Mark nominated U.S. securities, the so-called Carter Bonds.

The current issue of Carter bonds totals around DM 2.5bn which, together with the DM 3.03bn of U.S. securities placed in Deutsche-Marks last December, means that the U.S. Treasury will now have raised the equivalent of some $3bn in Germany.

This will be added to the pool of foreign currency that the U.S. is amassing to reinforce future intervention operations to protect the dollar on international currency markets.

The last issue of DM-denominated securities carried interest rates of 5.95 per cent on three-year notes and 6.20 per cent on four-year obligations.

Since December, German capital market interest rates have risen broadly, partly because of Bundesbank action to tighten domestic monetary conditions in order to absorb liquidity caused by its past intervention operations to support the dollar.

However, the latest terms of the Carter bonds are broadly in line with market expectations.

The last U.S. issue was heavily oversubscribed, and the Bundesbank was able to satisfy only 31 per cent of the bids for the three-year bonds and 40 per cent for the four-year offering.

German bankers generally expect the current issue to attract a high level of subscriptions. Like the last flotation it will be offered at par and can be sold only to permanent residents of West Germany.

A T & T pays more

AT and T is raising its quarterly dividend from $1.15 to $1.25 a share, AP-DJ reports from New York.

Sharp increase in losses at French shipping company

BY TERRY DODSWORTH IN PARIS

A NEW CRISIS, involving losses of about FFr 450m ($104m) last year, appears to be overtaking the Compagnie Generale Maritime, one of France's largest shipping lines, in which the state has a 78 per cent stake.

The 1978 deficit follows a previous heavy loss of FFr 230m in 1977, which was reached after a substantial state subsidy of FFr 118.5m.

The company has now been told by the Government that it must set about a root and branch reorganisation to correct its finances as a condition of further aid. Two years ago, the state played an important role in helping to merge CGM with one of the other large French shipping lines, Compagnie des Messageries Maritime.

CGM should be ready to put a new plan of action to the Government next month, but it is believed to be considering two main lines of development. Both would involve a rundown of the company, but the more Draconian plan would require the sale of a large part of the fleet and widespread redundancies among the workforce of 6,000.

The alternative would be a more gradual slimming operation, with redundancies limited to workers who had been with the company for less than three years, and with the state continuing its aid well beyond 1982.

Whichever plan is chosen, the company has already indicated that it intends to cut out the profitable lines and to reduce the number of its ports of call. It is also putting into action a series of measures to reduce administrative costs.

Sprecher sales stagnate

BY JOHN WICKS IN ZURICH

SPRECHER AND SCHUH, the Swiss electrical engineering concern, booked a rise in group turnover of only 0.4 per cent for 1978 to SwFr 479m ($287m) from SwFr 477m. Results for the year are said to have been "good," however, and consolidated figures for new orders, totalling SwFr 480m against SwFr 502m satisfactory. Within the group sales total, turnover of the parent company improved by 11.7 per cent to SwFr 297m.

Results for the current year are expected to suffer from the fact that in the second half of 1978 orders had to be accepted at unsatisfactory price levels. In the meantime, cost relationships are said to have improved and this will have a positive effect on 1980 earnings.

The company considers medium-term conditions to be favourable in view of rising demand for equipment for the production and distribution of electrical energy. In 1977, group cash flow was SwFr 22.5m and parent company net profits SwFr 2.9m.

Sprecher and Schuh has already stated that the Landis and Gyr concern, another major Swiss electrical engineering group, will subscribe to new stock to be issued in a capital increase this May. The two companies are already co-operating on a number of foreign markets and are working on the ordination of certain of their sales programmes.

New TXIA bid steps up battle over National

BY OUR NEW YORK STAFF

THE JOSTLING for position in the three-cornered battle for control of National Airlines has intensified with Texas International Airlines (TXIA) announcing that it plans to bid "at least" $50 a share.

It was TXIA which sparked off the struggle for National last summer since when it has acquired about 23 per cent of the airline's stock in the open market. But until now it had refrained from making a formal bid, unlike its two rivals, Pan American World Airways, which has a tentative merger agreement with National based on $41 a share, and Eastern Airlines which has offered to pay $50 a share.

National is planning to recommend shareholder acceptance of Pan Am's offer at a general meeting at the end of March and the immediate effect of TXIA'S announcement will be to increase pressure on National to put the rival bids to a vote. National has so far refused and plans instead to open a bidding contest if the Civil Aeronautics Board approved in principle a merger with other airlines as well as Pan Am.

Both TXIA and Eastern want the contest to go to a shareholders' vote before a CAB ruling in late May, not least it is suspected, because it will force Pan Am to increase its offer. This would be of direct benefit to TXIA which has paid a shade over $30 a share for its stake in National.

TXIA's announcement came on the eve of hearings by an administrative law judge into Eastern's merger application. Eastern is generally ranked as the outsider in the race for National largely because of the anti-competitive aspects of an Eastern-National link.

The two airlines are in direct competition on 18 specific routes, including the highly lucrative New York-Florida services. The Airline Deregulation Act requires the CAB to judge merger applications largely on their impact on competition and the Department of Justice is opposing the combination on these grounds.

Eastman Kodak profits rise in fourth quarter

BY OUR NEW YORK STAFF

EASTMAN KODAK, the world's largest producer of photographic equipment and a traditional glamour stock for investors, posted a 47 per cent increase in fourth-quarter net earnings.

The company's startling performance reflected not only strong consumer demand for its broad product line, but almost certainly a sharp, if not total, reduction in losses on its instant camera range introduced in 1976. This helped the company's net earnings sail comfortably past the $4.05 a share record established in 1973.

Fourth-quarter net earnings were $331.4m or $2.05 a share, compared with $226.1m or $1.40 a share. Sales were 23 per cent ahead at $2.31bn. Full year profits outstripped virtually all analysts' estimates and totalled $902.3m or $5.59 a share, compared with $643.4m or $3.99 a share.

Lockheed earnings down

BY OUR FINANCIAL STAFF

IN SPITE of a fourth quarter profits upturn from $10.7m, or 64 cents a share to $16.6m or 98 cents a share, Lockheed Corporation's full year earnings declined from $53.3m or $3.53 a share to $55m or $3.20 a share.

The total earnings for 1978 exclude a gain of $9.9m from operations sold or to be sold while the 1977 net excludes a loss of $3.9m.

Meanwhile, the group finished 1978 with a backlog of $4.9bn, up nearly 50 per cent from the 1977's $3.3bn. The company also said it currently is accelerating its Tristar plane production rate to about 24 aircraft per year. It expects the full manufacturing process to be operating at that rate in early 1980, Lockheed said.

Further steel loss for Krupp

BY JONATHAN CARR IN BONN

FRIED. KRUPP Huettenwerke (FKH) made a further loss in 1978, caused chiefly by competition from cheaper imports and by the impact of the West German steel strike late last year.

The company—the steel-making arm of the Krupp concern—reports the loss in its latest staff magazine without giving figures. FKH made an overall loss of DM 40m ($21.5m) in 1977 and announced more than six months ago that there was no prospect of a dividend for 1978.

AMERICAN QUARTERLIES

ALBERTA GAS TRUNK LINE		
Year	1978 C$	1977 C$
Revenue	505.0m	388.0m
Net profits	85.6m	57.5m
Net per share	2.31	1.64

CHESEBROUGH-POND		
Fourth quarter	1978 $	1977 $
Revenue	258.8m	201.2m
Net profits	13.1m	10.4m
Net per share	0.41	0.32
Year		
Revenue	989.8m	808.0m
Net profits	69.7m	60.1m
Net per share	2.16	1.86

CHICAGO BRIDGE AND IRON		
Fourth quarter	1978	1977
Revenue	163.3m	224.3m
Net profits	12.1m	20.1m
Net per share	1.28	2.10
Year		
Revenue	509.7m	609.9m
Net profits	46.5m	58.3m
Net per share	4.87	6.05

CNA FINANCIAL		
Fourth quarter	1978 $	1977 $
Revenue	621.0m	579.7m
Net profits	41.6m	24.1m
Net per share	0.72	0.41
Year		
Revenue	2.3bn	2.2bn
Net profits	142.2m	71.4m
Net per share	2.44	1.23

CROWN CORK AND SEAL		
Fourth quarter	1978 $	1977 $
Revenue	300.5m	255.2m
Net profits	14.7m	11.9m
Net per share	0.96	0.77
Year		
Revenue	1.76bn	[illegible]
Net profits	64.3m	53.8m
Net per share	4.16	3.46

HANDLEMAN COMPANY		
Third quarter	1979 $	1978 $
Revenue	69.1m	[illegible]
Net profits	3.7m	3.0m
Net per share	0.84	0.68
Nine months		
Revenue	186.4m	151.8m
Net profits	8.8m	6.5m
Net per share	2.21	1.49

HEWLETT-PACKARD		
First quarter	1979 $	1978 $
Revenue	503.0m	368.0m
Net profits	45.0m	32.0m
Net per share	1.53	1.14

M. LOWENSTEIN		
Fourth quarter	1978 $	1977 $
Revenue	168.9m	167.5m
Net profits	4.7m	†1.4m
Net per share	1.43	†0.44
Year		
Revenue	604.8m	550.5m
Net profits	12.2m	†8.1m
Net per share	3.70	†1.86
† Loss		

MESA PETROLEUM		
Fourth quarter	1978 $	1977 $
Revenue	45.7m	45.0m
Net profits	11.52m	14.17m
Net per share	0.72	0.88
Year		
Revenue	166.5m	140.0m
Net profits	41.77m	41.29m
Net per share	2.63	2.66

NORTHWEST AIRLINES		
Fourth quarter	1978 $	1977 $
Revenue	238.4m	274.9m
Net profits	13.2m	24.0m
Net per share	0.61	1.11
Year		
Revenue	790.2m	[illegible]
Net profits	61.8m	92.7m
Net per share	2.86	4.25

SPRINGS MILLS		
Fourth quarter	1978 $	1977 $
Revenue	194.6m	173.2m
Net profits	8.63m	6.65m
Net per share	0.88	0.76
Year		
Net profits	28.52m	18.39m
Net per share	3.25	2.21

UNION CARBIDE		
Fourth quarter	1978 $	1977 $
Revenue	2.09bn	1.82bn
Net profits	127.8m	107.6m
Net per share	1.97	1.67
Year		
Revenue	7.87bn	7.04bn
Net profits	394.3m	385.1m
Net per share	6.09	6.05

VF CORPORATION		
Fourth quarter	1978 $	1977 $
Revenue	126.5m	112.6m
Net profits	7.67m	6.69m
Net per share	0.77	0.68
Year		
Revenue	487.8m	469.9m
Net profits	30.90m	28.26m
Net per share	3.12	2.88

EUROBONDS

FRN issue for Argentine bank

BY OUR EUROMARKETS STAFF

AN OFFERING of $50m floating rate notes is planned by Argentina's Banco de la Nacion, according to market sources.

The notes will carry a margin of ¾ point over interbank Eurodollar rates, and the lead manager should be Salomon Brothers International.

The dollar bond secondary market was steady yesterday, but the $50m Hooda 5¼ per cent convertible, priced at par, broke sharply lower in first-time trading.

By the close, the issue was being indicated at 94½/95½. This bond is being accompanied by a SwFr 100m private placement. Elsewhere, the $200m Dow Chemical issue was reportedly oversubscribed. The bond is likely to be priced below the indicated level of 99½, and a good secondary market in the issue is expected by the managers.

In Deutsche Marks, Nippon Kokan Kabushiki Kaisha is floating a DM 100m five-year bond with a 6¼ per cent indicated coupon, according to the lead manager, Dresdner Bank. The bullet issue is guaranteed by Fuji Bank and final terms should be set on March 2.

The Total Oil Marine Ltd. eight-year FFr 150m Eurobond will carry a coupon of 9¾ per cent and pricing of 99¾ per cent, Banque de Paris et des Pays Bas said. A sinking fund provides an average life of 7.05 years.

Elsewhere, CNT has completed a SwFr 150m private placement, due 1996, via Swiss Bank Corporation. The final terms include a coupon of 2¼ per cent and pricing of 99¼ per cent.

Eurosterling bonds continued to perform strongly yesterday, sharing in the general foreign investment demand for UK fixed interest securities which has been propelling the London gilt-edged market higher in recent days. Gains ranged to 1½ points at one stage.

The Japanese Finance Ministry is considering relaxing regulations which permits only international financial institutions to issue Euroyen bonds, ministry officials said, Reuter reports from Tokyo.

The relaxation will probably facilitate Euroyen flotations by foreign governments and other organisations which have expressed a desire to the Ministry to raise yen funds in this way, the officials said.

MEDIUM-TERM CREDITS

IRI borrows $200m over eight years

BY FRANCIS GHILES

THE ITALIAN state-owned IRI company is arranging a $200m eight-year loan through a group of banks led by Chemical Bank. The borrower is paying a spread of ¾ per cent over either the U.S. prime or the 90-day readjusted certificates of deposit rate, whichever is higher. This feature, which is common U.S. domestic lending practice is designed to protect banks whose cost of funds exceeds prime rate.

Banco Nacional de Cuba meanwhile is borrowing Y12.5bn for ten years from a group of banks led by Bank of Tokyo. The grace period is 5½ years.

The borrower is paying a fixed rate of 7.7 per cent for the first five years, which amounts to a spread of 0.6 per cent above the prevailing Japanese long term prime rate. For the last five years, the borrower will pay a spread of 0.6 per cent above the current Japanese long term prime rate at the time.

A $75m loan has just been signed between Pakistan and a group of six banks led by Citicorp. This loan, which takes the form of a bankers' acceptance facility, is guaranteed by the state bank of Pakistan. It has been arranged to finance the import of 525,000 tons of wheat from Australia during the first half of 1979. The notes will be discounted in the New York bankers' acceptance market.

Madagascar is arranging a $10m eight-year loan with a spread of 2¼ per cent and a state guarantee. This loan which is led by Chase Manhattan is earmarked for the construction of a cement plant.

The loan being arranged by the same bank for Statoil of Norway is for $200m and carries a split spread of ⅜ per cent for the first seven years, rising to ½ per cent for the remaining three.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on February 21

U.S. DOLLAR

STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¼ 88	25	84½	94⅝	−0⅛	−0⅛	10.20
Australia 8.45 83	175	95½	96	0	−0½	8.91
Australia 9¼ 93	75	95⅞	96⅛	+0⅛	−0½	9.86
CECA 8¾ 87	50	93¼	93⅞	0	−0⅛	9.69
CECA 9¼ 84-99	50	95⅛	96⅛	0	−0⅛	9.81
CNT 9 93	75	94⅜	94⅞	+0⅛	+0⅛	8.72
Canada 9 83	400	97⅝	98⅛	0	0	9.50
Canada 9¼ 98	350	95⅝	96⅛	−0⅛	−0⅛	9.87
Canadair 8½ 83	70	94⅛	94⅝	−0⅛	−0⅛	10.15
Dominion Bridge 8 86	25	94⅛	94⅝	−0⅛	−0⅛	10.11
EIB 9¼ 98	125	93½	94½	−1⅛	−1	10.07
Export Dv. Cpn. 9.85 84	150	100	100½	0	0	10.02
Eksportfinans 9 88	90	95⅛	95⅝	0	−0⅛	8.88
Finland 8¾ 83	100	96⅛	96⅝	−0⅛	−0⅛	10.03
Finland 9 88	100	94⅞	95⅛	0	+0⅛	10.03
Finland 9½ 86	100	97⅛	97⅝	0	−0⅛	10.03
Hospital O/S 9 83	25	96⅝	97⅛	0	−0⅛	9.85
Itel Finance 9¾ 90	30	93½	94	+0⅛	−0⅛	10.70
J. C. Penney 8½ 83	100	95¼	95¾	0	−0⅛	9.77
NZ Dev. Fin. 8⅞ 83	20	93¼	93⅞	0	0	10.01
NZ Dev. Fin. 8⅞ 85	20	93	93⅝	0	−0⅛	9.86
Nat. West. 8 86	75	96⅝	97⅛	+0⅛	−0⅛	8.60
Newfoundland 9¼ 90	50	95⅛	96⅛	−0⅛	−1⅛	9.86
Nord. Inv. Bk. 8¾ 88	25	94½	95	+0⅛	−0⅛	8.62
Norsk Hydro 9⅛ 84	50	95	95½	+0⅛	−0⅛	8.87
Norway 7⅞ 83	250	92⅞	93⅛	+0⅛	0	8.94
Norway 8⅝ 83	150	95½	97	0	+0⅛	9.91
Norway 9⅛ 84	150	100	100½	−0⅛	+0⅛	8.91
Occidental 8⅞ 85	75	92	92½	0	−0⅛	10.61
Ont. Hydro 8½ 85	125	93⅛	93⅝	0	−0⅛	8.92
Quebec Hydro 9½ 93	50	96⅛	96⅞	0	−0⅛	8.94
Sweden 9⅛ 98	125	94⅛	95⅛	−0⅛	−1	10.07
UK 8½ 85	200	95⅛	95⅝	0	−0⅛	8.70
UK 8⅞ 93	150	93⅞	94⅜	+0⅛	−1⅛	8.86

DEUTSCHE MARK

STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	97⅛	97⅞	0	−0⅛	5.88
Argentine 6½ 88	150	95⅛	95⅝	0	−2⅛	7.17
Australia 6 88	250	99⅛	100	0	+0⅛	6.03
Austria 5¾ 90	150	91½	92½	−0⅛	0	6.74
Bankamerica 5¾ 90	150	98	98½	0	0	6.96
Bq. Ext. Algerie 7¾ 85	100	95⅛	96⅛	0	−0½	8.08
Brazil 7¾ 87	150	100½	100⅝	0	0	7.18
CECA 6 88	160	96⅛	96⅝	−0⅛	0	6.49
Canada 4¾ 83	600	97⅛	97⅝	−0⅛	0	5.45

SWISS FRANC

STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Alfa-Laval lifts dividend after profits increase

BY WILLIAM DULLFORCE IN STOCKHOLM

ALFA-LAVAL, the Swedish farm and dairy equipment and industrial separator group, reports a SKr 15m improvement in pre-tax earnings to SKr 320m ($73.5m) in 1978 and the Board proposes to increase the shareholders' dividend by SKr 1 to SKr 6 a share.

The result is slightly better than the forecast made at the half-way stage. The main part of the income growth has been generated in the foreign subsidiaries, primarily in Denmark, Ireland, Italy, Canada, the Netherlands, Switzerland and the UK.

Sales grew by 18.3 per cent to SKr 4.98bn ($1.14bn), with the increase again being stronger on the foreign markets than in Sweden. The order intake during the year was SKr 5.1bn, an advance of 17 per cent on the 1977 level.

The figures released yesterday are preliminary and the Board notes that the final result may differ slightly from that shown. The operating profit is 13.4 per cent ahead at SKr 415m. Planned depreciation charges at SKr 95m are SKr 15m heavier than in 1977, but are more than compensated by a gain of close to SKr 20m on net financial items.

A net extraordinary income of SKr 18m, arising chiefly from the sales of land at the Swedish headquarters and in Stockholm and of real estate at Nevers in France, produced a final pre-tax result of SKr 338m compared with SKr 307m in the previous year.

The board's forecast for 1979 is that improvements in business conditions on certain markets are expected to result in an income "well on the level with that of 1978."

From January 1, the Alfa-Laval group has been divided into three business units. The industrial section embracing dairy industry equipment, separators and thermal processes and plants, accounted for 48 per cent of sales last year and achieved a larger income after depreciation.

The agricultural section, selling dairy industry equipment, produced 31 per cent of turnover last year and showed a "positive development" in income. New orders were 26 per cent higher and milking equipment attracted improved orders during the second half.

The third section, embracing a disparate number of engineering companies based in Sweden, turned in a reduced income last year, mainly due to lower profitability in subsidiaries making boilers, hydraulic and distillation equipment.

Swedish fund's earnings show steady advance

BY OUR NORDIC EDITOR

THE SWEDISH National Pension Fund's Fourth Fund, the one allowed to invest on the stock market, reported pre-tax earnings of SKr 51.8m ($11.9m) on its holdings in shares and bonds during 1978. This is an advance of almost SKr 9m on the previous year.

The market value of the fund's portfolio at the end of the year was SKr 963m ($221m) or SKr 42m lower than the combined purchase price. Nevertheless the value of the portfolio rose by 17.4 per cent in 1978, while the Affaersvaerlden general index for the Stockholm Exchange put on 16.2 per cent. Excluding bank shares, in which the fund is not allowed to invest, it beat the general index last year by 3.4 per cent.

The fund has total assets of SKr 1.35bn, of which just over SKr 1bn is invested in shares and SKr 29m in convertible bonds. Total capital authorised by parliament is SKr 1.25bn, of which the SKr 250m allocated in 1978 was to be used only for new share issues or convertible bonds. The lack of new issues last year inhibited the fund managers' ability to place the new allocation with the result that they finished the year with SKr 309m in cash and bank deposits.

The portfolio covers 34 companies, of which three were added last year. They were Electrolux, the retail PK group Hennes and Mauritz and the Sonnesson engineering concern. The fund's biggest purchases during the year were in the Sandvik steel and cemented carbide company, Electrolux and L.M. Ericsson.

At the end of the year, the fund's largest holding was in Astra, the pharmaceutical company. This was followed by L. M. Ericsson, AGA, Sandvik and Volvo.

Vallourec stages a recovery

By Martin Taylor

FRENCH TUBE group Vallourec broke even last year after a FFr 63m ($14.7m) loss in 1977, M. Jean Laballery, the chairman, said yesterday. The company intends to maintain its dividend of FFr 5 a share.

Turnover rose from FFr 7.5bn to FFr 8.5bn ($1.98bn) while consolidated cash-flow reached FFr 300m, well up from the FFr 185m of 1977.

Following the reorganisation of the French steel industry, the Denain Nord-Est Longwy stake in Vallourec has fallen from 48 per cent to 23 per cent.

* * *

Société Bouygues, a public works and construction group, said its 1978 financial results will not be affected by the recent revolution in Iran, where the company has several contracts under way, AP-DJ reports from Paris.

Wider role for yen urged by Barclays

By Charles Smith, Far East Editor, in Tokyo

JAPAN MUST either take effective steps to liberalise its financial system or face a situation in which Japanese banks operating overseas find themselves deprived of the cooperation of foreign banks in important areas, the Japanese Ministry of Finance was warned this week.

The warning is contained in a report submitted to a special advisory committee of the Finance Ministry, by Barclays Bank International, one of three foreign banks in Tokyo which participated in hearings conducted over the weekend by the *Ministry*.

The Barclays Report argues that the time has come for the yen to assume some functions of an international reserve currency. For this to happen Japan should act promptly to revise controls which have "retarded" the natural growth of financial markets.

Barclays estimates that approximately one-third of 1 per cent of Japan's money supply (M2) is internationalised at present, in the sense of having found its way into Euroyen deposits (currently estimated at slightly over $3bn).

The ratios of currency internationalisation for the U.S. and West Germany are put at 50 per cent and 6 per cent respectively.

The Bank argues that the trend of the U.S. economy towards a situation of chronic balance of payments deficit is producing a climate in which the dollar can no longer function as the world's only major reserve currency, and that the yen should take a part of the burden. Internationalisation of about 5 per cent of the Japanese domestic money supply over a five-year period would be a reasonable target to aim at, the report suggests.

If the target were achieved Japan would still rank far behind the U.S. to the extent to which its currency was used to finance international trade.

It would, however, be exporting large amounts of capital (in the form of yen loans, or bond issues floated by foreign borrowers in the Tokyo capital market) which would help to offset Japan's persistent surplus on current account.

One of the advantages to Japan would still rank far degree of yen internationalisation would be, says Barclays, that capital exports would siphon off surplus funds from the domestic money supply at times of excess liquidity.

Another by-product could be a lessening of the current international pressures on Japan to achieve an "artificially high" rate of GNP growth. Pressures for a more expansionist Japanese domestic economic policy have been applied by countries (chiefly the U.S.) which see faster growth as a means of attracting imports into the Japanese market and thus stabilising Japan's international payments balance. There would be less argument about the Japanese growth rate, Barclays maintains, if Japan were channelling more of its excess resources into the world monetary system.

As a first step towards greater Yen internationalisation Barclays argues for more liberalisation of offshore Yen lending and foreign Yen bond issues.

It claims that foreign banks have a role to play in promoting overseas Yen loans, but are prevented from doing so partly by direct restraints imposed by the Finance Ministry and partly by funding difficulties.

Barclays says it has been "led to believe" that the Finance Ministry will not allow foreign banks to lead a foreign-syndicated loan and that lending in its own name is likely to be severely limited.

On the subject of funding, the bank says that foreign banks in Japan are in a much weaker position than Japanese banks in the U.S. or Europe. The report expresses disappointment over the proposed guidelines for Certificates or Deposit (CD's) which it says represent the outcome of domestic rivalries between different groups of Japanese banks. A separate type of CD designed exclusively to fund international Yen loans is proposed.

Japanese banks may find themselves in difficulties in some of their overseas transactions if the Ministry of Finance persists in excluding foreign banks from some of the newly developing areas of yen-denominated international transactions.

The specific risk, it says, is that international banks will decline to join Japanese banks in loans to some of their more difficult markets if they are denied the chance of participating in normal lending operations. This could result, Barclays suggests in Japanese banks finding themselves increasingly exposed in overseas markets, where Japan is obliged to lend but where risks run high (as in Iran).

Rennies loses its lame duck image

BY JIM JONES IN JOHANNESBURG

RENNIES CONSOLIDATED, the South African hotel, manufacturing, wholesaling and shipping conglomerate of which 53 per cent is owned by Jardine Matheson, is fast losing its lame duck image.

Pre-tax profit in 1978 showed a 29 per cent advance to R13m ($15.3m), and, with a lower tax rate, taxed profit was 49 per cent ahead of 1977 at R8.3m.

Rennies' executives are adopting a low profile on persistent Johannesburg talk that the group is negotiating the sale of its franchise Holiday Inn chain and its retail liquor outlets to the Rembrandt Group. But if it is, or if, as many Johannesburg observers seem to expect, a full scale bid for the group materialises, the group's present overall performance could mean a steep price tag to a potential suitor.

The profit improvement, though unquantified on a divisional basis, arose across the group. Manufacturing profit improved through curbed losses at the luggage ware subsidiary, Holiday Inns turned in higher tax-sheltered earnings, a maiden dividend was received from the one-third owned Makro cash and carry wholesale chain, while pressure on stevedoring profits from increasing containerisation was offset by the acquisition of the Blue Star Line and Blue Star Port Lines agencies.

On earnings of 32.3 cents a share, compared with 20 cents a share in 1977, Rennies has raised dividends from 10 cents to 15 cents a share for the year. However, though earnings could continue their 1978 growth rate this year, dividend growth may well be at a lower level.

On the drawing boards, according to hotel division executives, are four possible new Holiday Inns, which could mean capital expenditure of at least R6m in each of the next two years. In addition, the group is committed to lowering its borrowing ratios by 1980.

Even so, at 150 cents in Johannesburg, up from 125 cents at the start of the year, the share price reflects investors' views that the group is well set on a recovery tack.

Gillespie merger investigation

BY JAMES FORTH IN SYDNEY

THE NEW South Wales State Government has ordered a special investigation into dealings in shares of Gillespie Bros., Holdings, the bakery group which last year merged with another flour miller and baker, Fielders, to form Fielders Gillespie Limited.

The NSW Attorney-General, Mr. Frank Walker, said yesterday that he had appointed the Corporate Affairs Commission as an inspector to investigate "matters concerning the dealing in securities of Gillespie" covering the period from January 1, 1977 to March, 1978, when Gillespie shares were delisted after the merger.

Mr. Walker said that the merger received wide publicity because of conflicting take-over proposals by Industrial Equity Limited and Allied Mills.

He said the conferring of special powers under the Securities Industry Act was a "very grave step taken only in exceptional circumstances." But, CAC inquiries about the merger had convinced him that it was in the public interest for the Commission to make an investigation equipped with special powers.

Mr. Walker said that under the Securities Industry Act a special inspector had powers of inquiry similar to those of a Royal Commissioner. He could compel witnesses to answer questions and force the production of documents.

In mid-1977, shortly before the Fielders merger proposal, Gillespie came under fire from a group of dissident shareholders, who circulated large shareholders protesting about sales of certain assets by the Gillespie Board.

After the Fielders proposal the corporate takeover specialist IEL revealed that it had built up a 10 per cent stake in Gillespie and announced a counter offer. IEL withdrew after Allied Mills came up with a higher offer, but Allied was in turn forced to withdraw when Fielders disclosed that it already held acceptances for more than 50 per cent of the capital and declared its offer unconditional. Press reports at the time indicated that interests close to the Gillespie family had bought Gillespie shares, including the IEL parcel, and that interests connected with major shareholders of Fielders had been buying Fielders shares.

Malta offer to Barclays on Mid-Med

By Godfrey Grima in Valetta

MALTA INTENDS to buy Barclays International out of the island's state controlled Mid-Med Bank.

This was confirmed in Parliament last night by Premier Dom Mintoff, who said an offer of M£2,157,600 ($5.75m) has been made to Barclays for its 40 per cent interest.

Apparently Barclays International has still to confirm acceptance of the Maltese offer, which, according to Mr. Mintoff, is based on the net asset value of the shares. Mr. Mintoff told Parliament the deal has not yet been concluded and depends on Barclays accepting the offer.

In buying Barclays out of Mid-Med Bank, Mr. Mintoff said his administration is exercising an option agreed to by both parties at the time Mid-Med was set up in 1975. Mid-Med Bank is the former Barclays Bank operation on the island in which the Malta Government took a 60 per cent shareholding three years ago.

According to Mr. Mintoff Barclays originally was allowed a 40 per cent shareholding in that they might attract investments to the island. This did not materialise, with Barclays becoming sleeping partners in the venture. Originally the Government intended to purchase 30 per cent of Barclays holdings, but eventually it was decided Malta should have total control in Mid-Med. Mr. Mintoff said Barclays was at first reluctant to part with its shareholding, but Government insisted it was not worth having sleeping partners.

Mayne Nickless growth

BY OUR SYDNEY CORRESPONDENT

MAYNE NICKLESS, the major transport and security group, has raised its dividend following a 13 per cent lift in group earnings from A$5.7m to A$6.5m (US$7.4m) in the December half year. The improvement reflected selective streamlining and rationalisation of transport activities, prticularly in the long distance field. Operating efficiency improved despite substantial cost increases. The directors said it was gratifying that the target of a new profit of 5 cents in the revenue dollar was achieved for the first time.

The interim dividend is lifted from 4.5 cents to 5 cents a share—last year the company paid a total dividend of 9.5 cents a share after several years on 8 cents.

The profit increase outpaced sales, which rose 7 per cent from A$120m to A$129m (U.S.$146m).

The board pointed out that since December, Mayne Nickless had acquired Ward Corpn. Pty., Australia's largest domestic air freight forwarding business, while the 50 per cent-owned Taa Mayne Travel Industries Pty. had acquired a majority interest in the Hertz Rent-A-Car business. Each business was in a strong development phase but no benefits from these moves were included in the latest results.

Setback at Capel Court

By Our Sydney Correspondent

CAPEL COURT Corporation, the merchant bank, suffered a 25.7 per cent fall in profit for the December half-year, after allowing for the adverse effect of interest rate rises after December 31. Earnings for the period dipped from A$1.38m to A$1.0m (US$1.1m), but the interim dividend is held at 3.5 cents a share. Last year, the directors followed up with a final of 4 cents, lifting the total payout from 6.75 cents to 7.5 cents.

The Midland Bank holds a 26 per cent stake in Capel Court through its merchant banking subsidiary, Samuel Montagu.

EUROPEAN OPTIONS

Cause for satisfaction

BY CHARLES BATCHELOR IN AMSTERDAM

MOST OF the 139 members of the European Options Exchange (EOE) are satisfied with their financial results, although the exchange itself is still failing to cover costs. A cautious estimate puts members' income at 5 to 8 per cent of the EOE's Fl 100m ($50m) turnover in the first nine months of operations, the managing board said. The EOE's earnings were just over 1 per cent of this turnover.

The EOE now estimates its break-even volume at 5,000 contracts a day. This has been brought down from the initial estimates of 7,000 by savings on staff and improved efficiency.

The introduction of put options on four Dutch shares—AKZO, Royal Dutch, KLM and Philips—and the reduction of commissions is expected to improve the EOE's turnover, Mr. Ewold Brouwer, the EOE chairman, said. The puts, which confer the right to sell shares in the future, will allow investors to participate in falling share markets and will allow professional investors to spread their investments over calls and puts.

Despite a gradual increase in the amount of trading, the EOE still faces a shortage of writers—that is sellers—of call options. "There is a big demand to buy call options," Mr. Brouwer said. This offers the smaller investment funds the opportunity to write call options. Many have, for example, too many Philips shares in their portfolios. The present rate is too low for them to sell the shares but they could sell options on the shares. I think it is a very conservative investment policy but many of the smaller institutions still regard it as being speculative."

The four shares chosen for put options have all performed well as calls. The EOE has avoided the shares, particularly a number of the U.S. stocks, which have not produced good turnover volumes. The number of puts will be expanded if the first four are successful. The EOE has noted that the options exchange has stimulated trading on the Amsterdam Stock Exchange.

Despite the slower than expected growth of trading, the EOE's managers are convinced that the Fl100m turnover already reached is proof that the exchange is viable. Despite the suspension of two market makers in early November for falling below their liquidity margins, in technical terms the EOE has performed well. Guarantees given that the public would be protected have been upheld, Mr. Brouwer said. The slow growth of the EOE

Although trading has not grown as rapidly as hoped, the managers of the European Options Exchange are convinced of its viability. They see proof of this in the turnover level of some Fl100m reached in the first nine months of operations

has been due to the large number of legal systems and languages which the exchange has to contend with, unlike the Chicago Board Options Exchange in the U.S., he added. Chinese.

The new commission scales which take effect on February 26 will reduce the cost of 75 per cent of opening transactions and all closing transactions. The EOE is particularly keen to stimulate the closing of option positions since, it feels, too many investors allow their options to run to expiry date. Closing a position would be an economical way of realising a profit or limiting a loss. To encourage this, the minimum commissions on closing transactions will be 25 per cent lower than on opening transactions.

The average reduction on opening transactions is about 20 per cent. Options carrying low premiums, of up to about Fl 1.50, will qualify for reductions of up to 30 per cent while those with higher premiums will save up to 15 per cent. No minimum commissions will be charged at all on U.S. options to enable the EOE to compete with the U.S. option exchanges, where no minima apply.

Sample minimum commissions for Dutch options are Fl 20 per order, plus 5 per cent of the value of the order, plus Fl 6 per contract on orders of under Fl 2,000. On orders up to Fl 10,000, the commission is Fl 100 per order plus 1 per cent of the value of the order, plus Fl 6 per contract. On orders worth more than Fl 10,000, the commission is negotiable but not less than Fl 200 per order plus Fl 6 per contract.

EOE executives will visit the London Stock Exchange shortly for further talks aimed at securing closer cooperation between the Amsterdam and London options exchanges. Despite the continuing difficulty of getting the prices of the underlying stocks from London, the EOE has decided to reintroduce new series for the three British options—General Electric, ICI and BP—with May, August and November as expiry months. Previously, expiring series of UK stocks have not been replaced.

The EOE ultimately hopes to introduce German, Belgian and Hong Kong stocks and it has already translated its rules into Chinese. Trading options on U.S. stocks will be made easier if the Amsterdam Stock Exchange decides to list U.S. stocks directly, instead of only as depositary receipts. Certificates may not be presented if delivery of the shares is required and decertification increases the cost of the transaction.

Expansion in Okobank deposits

By Lance Keyworth in Helsinki

OKOBANK, the central bank for Finnish co-operative banks, believes that Finland's economy shook off its "mental depression" towards the end of last year. In its preliminary report for fiscal 1978, it described its deposit business as "a success" and the result for the year as "very satisfactory."

Deposits increased by FM 1.58bn ($405m) during the year. The growth rate was 14.7 per cent; adjusted for inflation, the real increase was 8.3 per cent, one of the highest in the current decade.

Lending expansion was held within the bounds of deposit growth and was 14.1 per cent (nearly 8 per cent in real terms). The uneven demand for credit during the year led to liquidity difficulties at the beginning of 1978, but a satisfactory balance was achieved by the end of the year.

After taxes, maximum permissible depreciations and the transfer of FM 30m to the credit loss reserve, the result for the year was a profit of FM 8.7m ($2.2m).

VONTOBEL EUROBOND INDICES
14.5.76=100%

PRICE INDEX	20.2.79	13.2.79
DM Bonds	102.54	102.14
HFL Bonds & Notes	99.56	99.76
U.S. $ Strl. Bonds	95.72	95.95
Can. Dollar Bonds	95.89	96.07

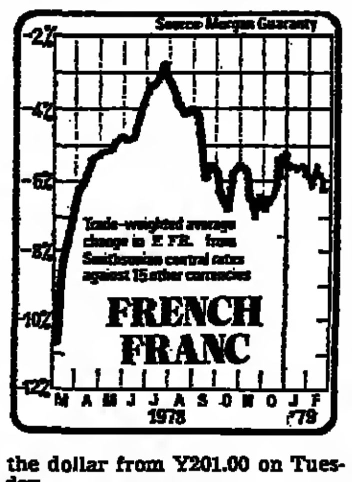
AVERAGE YIELD	20.2.79	13.2.79
DM Bonds	6.849	6.799
HFL Bonds & Notes	8.433	8.395
U.S. $ Strl. Bonds	9.585	9.546
Can. Dollar Bonds	10.200	10.149

Companies and Markets

CURRENCIES, MONEY and GOLD

Sterling firm, dollar steady

Sterling remained very firm in the foreign exchange market yesterday, probably reflecting foreign buying of the currency as a result of interest in British gilt edged stocks. The dollar was also quite firm, and trading was within a very narrow range. In terms of the Deutsche Mark the U.S. currency rose to DM 1.8565, from DM 1.8555 on Tuesday, after trading between DM 1.8555 and DM 1.8580. Movements against the Swiss franc were restricted to SwFr 1.6670 to SwFr 1.6760, and the closing rate was SwFr 1.6730, compared with SwFr 1.6715 preiously. The Japanese yen was generally weak, easing to Y201.90 ogoinst the dollar from Y201.00 on Tuesday.



On Morgan Guaranty figures the dollar's trade-weighted depreciation was unchanged at 8.2 per cent.

Sterling's trade-weighted index as calculated by the Bank of England, finished at 63.9, the highest level since early January. It rose from 63.7 on Tuesday, and stood at 63.9 at noon and 63.8 in the morning.

The pound opened at $2.0040-$2.0050, and touched a high point of $2.0085-$2.0095, before closing at $2.0070-$2.0080, a rise of 30 points on the day.

NEW YORK—The dollar was steady against other major currencies in very qniet trading, without any indication of intervening by central banks.

PARIS—The dollar was little changed against the French franc after a quiet day. It finished at FFr 4.2810, compared with FFr 4.2837½ at the start, and FFr 4.2800 late Tuesday. The Freneh currency lost ground against sterling but appreciated against the Deutsche Mark and Swiss franc. The pound rose to FFr 8.5960 from FFr 8.5825 on Tuesday.

AMSTERDAM — The dollar eased to Fl 2.0030 against the Dutch guilder in the afternoon, from the fixing level of Fl 2.0040. The previous fixing leval was Fl 2.0070.

FRANKFURT — The dollar eased to DM 1.8565 against the Deutsche Mark at the fixing, from DM 1.8578 previously. Trading was within a narrow range, with the U.S. currency opening at DM 1.8565, and touching a high point of DM 1.8571 during the morning. Political news about the conflict between China and Vietnam, and reports out of Iran had little influence. In late trading the dollar stood at DM 1.8568, after moving within a very narrow range all day. No central bank intervention was reported, and the Bundesbank did not intervene at the fixing.

ZURICH—The Swiss National Bank may have intervened to ease the Swiss franc rate against the D-mark. Following this the German unit rose to SwFr 90.13 per DM 100 from SwFr 89.92½ per DM 100 in early trading. On Tuesday it was suggested that there may be o tightening of Swiss monetary policy, leading to higher ioterest rates. The dollar was steady in very quiet trading. At noon it was quoted at SwFr 1.6725 against the Swiss franc, compared with an opening level of SwFr 1.6715.

TOKYO — The dollar continued to gain ground in quiet trading, helped by suggestions of a general sbortage of dollars in the market. It opened at Y201.50 against the yen, the lowest level of the day, and traded within a narrow range, touching a high point of Y201.90 in the afternoon. The U.S. currency elosed at Y201.70, a slight improvement from the finisbing level of Y201.22½ on Tuesday.

THE POUND SPOT FORWARD AGAINST £

Feb. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0040-2.0095	2.0070-2.0080	0.05-0.40c pm	[illegible]	1.27-1.17c pm	[illegible]
Canada	2.3945-2.4005	2.3985-2.3995	0.80-0.50c pm	[illegible]	[illegible]	[illegible]
Nethlnd.	4.01-4.03½	4.02-4.03	2¼-1¼c pm	[illegible]	[illegible]	[illegible]
Belgium	58.60-58.85	58.70-58.80	30-20c pm	[illegible]	[illegible]	[illegible]
Denmark	10.31-10.34½	10.33½-10.34½	2 ore pm-par	[illegible]	[illegible]	[illegible]
W. Ger.	3.71½-3.74½	3.72½-3.73½	3¼-2¼pf pm	[illegible]	[illegible]	[illegible]
Portugal	94.75-95.20	94.95-95.45	30-100c dis	[illegible]	[illegible]	[illegible]
Spain	138.50-139.05	138.90-139.00	25c pm-25c dis	[illegible]	[illegible]	[illegible]
Italy	1,687-1,691	1,689-1,690	1½lire pm-½lire dis	[illegible]	[illegible]	[illegible]
Norway	10.22-10.25	10.24-10.25	4¼-2¼ore pm	[illegible]	[illegible]	[illegible]
France	8.58-8.61½	8.59½-8.60½	3¾-1¾c pm	[illegible]	[illegible]	[illegible]
Sweden	8.75½-8.79	8.77½-8.78½	3¾-1¾ore pm	[illegible]	[illegible]	[illegible]
Japan	400-410	405-407	3.45-3.10y pm	[illegible]	[illegible]	[illegible]
Austria	27.22-27.35	27.28-27.33	22-12gro pm	[illegible]	[illegible]	[illegible]
Switz.	3.34½-3.37	3.35½-3.36½	3¼-2¼c pm	[illegible]	[illegible]	[illegible]

Belgium rate is for convertible francs. Financial franc 59.70-59.80. Six-month forward dollar 2.10-2.00c pm; 12-month 4.10-4.00c pm.

THE DOLLAR SPOT AND FORWARD

Feb. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	2.0040-2.0095	2.0070-2.0080	0.50-0.40c pm	[illegible]	1.27-1.17c pm	[illegible]
Ireland	2.0040-2.0095	2.0070-2.0080	0.50-0.40c pm	[illegible]	[illegible]	[illegible]
Canada†	83.65-83.70	83.67-83.70	0.3-0.1c dis	[illegible]	[illegible]	[illegible]
Nethlnd.	2.0020-2.0065	2.0030-2.0040	0.57-0.52c pm	[illegible]	[illegible]	[illegible]
Belgium	29.26-29.30	29.27-29.29	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	5.1470-5.1540	5.1515-5.1540	0.25-0.75ore dis	[illegible]	[illegible]	[illegible]
W. Ger.	1.8557-1.8575	1.8560-1.8570	1.01-0.91pf pm	[illegible]	[illegible]	[illegible]
Portugal	47.40-47.57	47.47-47.57	25-35c dis	−7.57	60-110c	−4.90
Spain	69.10-69.24	69.19-69.24	Par-10c dis	−0.93	25-45c	−2.08
Italy	841.80-842.56	841.80-841.80	1.15-1.45lire dis	−1.80	3.75-4.25lire	−1.75
Norway	5.1005-5.1035	5.1010-5.1020	1.25-0.85ore pm	2.27	3.15-2.75ore	2.33
France	4.2800-4.2850	4.2800-4.2820	1.25-1.10c pm	3.30	2.92-2.72c	2.62
Sweden	4.3705-4.3740	4.3720-4.3730	0.80-0.60ore pm	2.06	2.40-2.20ore	2.15
Japan	201.30-202.00	201.80-202.00	1.23-1.13y pm	7.02	3.50-3.40y	7.07
Austria	13.59-13.60½	13.59½-13.60½	6.75-6.0gro pm	6.03	19-17gro	5.42
Switz.	1.6707-1.6737	1.6725-1.6735	1.34-1.30c pm	10.19	4.24-4.20c	10.37

† U.S. cents per Canadian $.

CURRENCY RATES

February 00	Bank rate %	Special Drawing Rights	European Unit of Account
Sterling	10½	Unavail.	0.673951
U.S. $	0½	"	1.35005
Canadian 0	11¼	"	1.61400
Austria Sch.	4½	"	18.3608
Belgian F	6	"	39.5700
Danish K	9	"	6.95023
D mark	3	"	0.50514
Guilder	6½	"	2.70957
French Fr	9½	"	5.78905
Lira	10½	"	1136.70
Yen	3½	"	271.429
Nrwgn. K	7	"	6.85800
Spanish Pes.	9	"	03.4443
Swedish Kr	6½	"	0.90408
Swiss Fr	1	"	0.26229

CURRENCY MOVEMENTS

February 21	Bank of England Index	Morgan Guaranty changes %
Sterling	63.87	−40.4
U.S. dollar	84.61	−8.2
Canadian dollar	78.73	−18.5
Austrian schilling	147.28	+19.8
Belgian franc	114.91	+12.4
Danish krone	119.06	+7.7
Deutsche Mark	150.49	+42.1
Swiss franc	196.27	+82.8
Guilder	125.13	+21.0
French franc	99.26	−6.2
Lira	54.74	−49.4
Yen	143.17	+41.6

9nsed on trade weighted chnnges from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Feb. 01	£	$		£ Note Rates
Argentina Peso	2178-2198	1085-1094	Austria	26.75-27.75
Australia Dollar	1.7745-1.7785	0.8839-0.8859	Belgium	59-60
Brazil Cruzeiro	44.02-45.02	01.93-22.43	Denmark	10.28-10.38
Finland Markka	7.96-7.07	0.955-0.070	France	8.54-8.64
Greek Drachma	73.370-74.036	36.05-36.88	Germany	3.65-3.75
Hong Kong Dollar	0.66-9.68	4.812-4.822	Italy	1,650-1,700
Iran Rial	147-156	75-80	Japan	400-410
Kuwait Dinar (KD)	0.545-0.555	0.2710-0.2760	Netherlands	3.95-4.05
Luxembourg Frc.	58.70-58.80	29.24-29.29	Norway	10.12-10.22
Malaysia Dollar	4.4091-4.4170	2.193-2.200	Portugal	90-97
New Zealand Dlr.	1.9615-1.9675	0.947-0.950	Spain	139.50-144.50
Saudi Arab. Riyal	6.69-6.79	3.333-3.382	Switzerland	3.30-3.40
Singapore Dollar	4.350-4.366	2.1670-2.174	United States	2.0050-2.0150
Sth. African Rand	1.6885-1.7105	0.8411-0.8521	Yugoslavia	40.5-42.5

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Feb. 21	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.008	0.730	406.0	8.599	3.360	4.025	1690.	2.399	58.75
U.S. Dollar	0.499	1.	1.858	208.2	4.283	1.674	2.005	841.5	1.195	29.27
Deutsche mark	0.268	0.538	1.	108.9	2.305	0.901	1.079	452.0	0.643	15.76
Japanese Yen 1,000	2.463	4.945	9.187	1000.	01.18	8.276	0.914	4151.	5.909	144.7
French Franc 10	1.163	2.330	4.338	472.2	10.	3.906	4.682	1965.	2.790	68.35
Swiss Franc	0.298	0.597	1.110	120.8	2.560	1.	1.198	502.8	0.714	17.49
Dutch Guilder	0.248	0.499	0.927	100.9	2.136	0.835	1.	419.6	0.596	14.60
Italian Lira 1,000	0.592	1.188	2.208	240.3	5.089	1.988	2.382	1000.	1.420	34.77
Canadian Dollar	0.417	0.837	1.555	169.2	3.584	1.401	1.678	704.3	1.	24.49
Belgian Franc 100	1.702	3.417	6.349	691.1	14.63	5.710	6.851	2876.	4.083	100.

EURO-CURRENCY INTEREST RATES

Feb. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	14¼-14½	10-10¼	8¾-9¾	7¼-7½	par-¼	3½-3¾	6½-6¾	9-12	10⅛-10¼	[illegible]
7 day's notice	13½-13¾	10⅛-10⅜	8¾-9¾	6¾-6⅞	[illegible]	[illegible]	6¾-6⅞	10½-11½	10½-10⅝	[illegible]
Month	13¼-13½	10¼-10⅜	10⅛-10⅝	6¾-6⅞	[illegible]	[illegible]	6⅞-7⅛	12½-13½	10½-10⅝	[illegible]
Three months	13¼-13½	10⅜-10½	10⅛-10⅝	6¾-6⅞	[illegible]	[illegible]	7⅜-7⅝	12½-13½	10⅜-10½	[illegible]
Six months	13¼-13½	10⅝-11⅛	10⅝-11⅛	6¾-6⅞	[illegible]	[illegible]	8¼-8⅝	13-14	11-11⅛	[illegible]
One year	10¼-13½	10⅝-11⅛	10⅝-11⅛	6¾-7	[illegible]	[illegible]	9-9¼	13¾-14¾	10⅞-11⅛	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.40-10.50 per cent; three months 10.60-10.70 per cent; six months 11.00-11.10 per cent; one year 10.95-11.05 per cent.

Long-term Eurodollar deposits: two years 10⅜-10½ per cent; three years 10⅛-10¼ per cent; four years 10⅛-10¼ per cent; five years 10⅛-10¼ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Federal funds easy

Federal funds remained easy in New York, quoted at 9⅞-10⅛ per cent, after the Federal Reserve drained money from the banking system on Tuesday.

The U.S. Treasury said it will raise $2½bn in new cash through the auction of four year one-month notes next Tuesday.

FRANKFURT — Call money rose to 3.5-3.7 per cent from 3.3-3.6 per cent, while period rates showed mixed changes. One-month funds eased to 3.7-3.8 per cent from 3.75-3.85 per cent, with three-month firming to 4.1-4.2 per cent from 4.05-4.15 per cent. Six-month money was unchanged at 4.3-4.3 per cent, while 12-month rose to 4.6-4.9 per cent from 4.75-4.85 per cent.

PARIS — Day-to-day money firmed slightly to 6⅜ per cent from 6¼ per cent. One-month funds were quoted at 6⅝-6⅞ per cent; three-month 6⅞-7⅛ per cent; six-month 7⅛-7⅜ per cent; and 12-month 7⅝-7⅞ per cent.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were generally slightly easier, but one-month money firmed to 7⅞-8 per cent from 7⅝-7⅞ per cent. Three-month eased to 7⅞-8⅛ per cent from 8-8¼ per cent; six-month to 8⅛-8⅜ per cent from 8¼-8½ per cent; and 12-month to 8⅛-8⅜ per cent from 8¼-8½ per cent.

AMSTERDAM — Call money was unchanged at 7¾-8 per cent. One-month was also unchanged at 7¼-7½ per cent, and three-month at 7¼-7½ per cent. Six-month eased to 7¼-7½ per cent from 7½-7¾ per cent.

MILAN—Money market rates were unchanged, with call money at 10¼-10½ per cent; one-month at 11¼-11½ per cent; two-month at 11¼-11½ per cent; and three-month at 11¼-11½ per cent.

HONG KONG—The money market was easy, with call money unchanged from the previous day at 8¾ per cent, while overnight funds eased to 8 per cent from 8¼ per cent.

MANILA—Money market rates were unchanged, with 30-day maturities at 12-14¼ per cent; 60-day at 12¼-14¼ per cent; 90-day at 12¼-15 per cent; and 120-day at 12¼-15 per cent.

GOLD

Firmer trend

Gold rose $2¼ to close at $250-250½. It opened at $249¾-250¼, and eased to $249⅛-249⅝ in the morning, before being fixed at $249.25. The U.S. market opened quite firm, and the metal rose to $250⅞-251⅜, and was fixed at $250.75 in the afternoon.

In Paris the 12½ kilo gold bar was fixed at FFr 33,900 per kilo ($246.21 per ounce) in the afternoon, compared with FFr 34,000 ($246.79) in the morning, and FFr 33,850 ($245.50) Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 14,875 per kilo ($249.22 per ounce) compared with DM 14,865 ($248.98) previously.

	February 21	February 20
Gold Bullion (fine ounce)		
Close	$250-250½	$247¾-248
Opening	$249¾-250¼	[illegible]
Morning fixing	$249.25 (£124.110)	$248.00 (£123.763)
Afternoon fixing	$250.75 (£124.750)	$247.00 (£123.151)
Gold Coins, domestically		
Krugerrand	$255-258 [illegible]	[illegible]
New Sovereigns	$70¾-72¾ [illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold Coins, internationally		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]

UK MONEY MARKET

Adequate credit supply

Bank of England Minimum Lending Rate 14 per cent (since February 8, 1979)

Day-to-day credit was in good supply in the London money market yesterday, and the authorities did not intervene. Fairly large net maturing Treasury bills, and a small decrease in the note circulation, was balanced by a moderate excess of revenue payments to the Exchequer over Government disbursements, and settlement of moderate sales of gilt edged stock.

Discount houses paid 12½-13 per cent for secured call loans in the early part, and closing balances were taken at 9-10 per cent.

In the interbank market overnight loans opened at 13½-13¾ per cent but eased to 12-12½ per cent on expectations of an easy day. Rates increased to 12-12½ per cent, but fell sharply to close at 2-4 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Feb. 21 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	2-13¼	—	—	—	10-13¼	9-13	—	—	—
2 days notice	—	—	13⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	13⅝	—	—	—	—
7 days notice	—	13¼-13½	13⅜	—	—	—	—	—	—	—
One month	13⅛-13¼	13⅜-13½	13⅜	13¼-13⅛	10½	13⅝	10¼	12⅛	12⅝	13⅛
Two months	13⅛-13¼	13⅜-13½	—	13¼-13⅛	13¼	—	12⅞	12⅛	12½	13⅛
Three months	13-13⅛	13-13⅛	13¼	13¼-13⅛	13¼	—	12⅞	12⅛	12⅜	13
Six months	12⅞-12⅜	12⅞-12⅜	12⅞	12⅞-12⅜	13¼	—	—	—	11⅞	—
Nine months	12⅛-12⅛	12⅛-12⅜	—	12⅞-12⅜	12⅞	—	—	—	—	—
One year	12⅛-12⅛	12⅛-12⅛	12⅞	12⅞-12⅜	10⅞	—	—	—	—	—
Two years	—	—	13⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅛ per cent; four years 13⅜ per cent; five years 13⅝ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝ per cent; four-month trade bills 13⅛ per cent.

Approximate selling rates for one-month Treasury bills 12⅛ per cent; two-month 12⅛ per cent; three months 12⅛ per cent. Approximate selling rate for one-month bank bills 12⅝ per cent; two-month 12⅝ per cent; and three-month 12⅝ per cent; one-month trade bills 13½ per cent; two-month 13⅛ per cent; and three-month 13⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from February 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 13½ per cent. Treasury Bills: Average tender rates of discount 12.7002 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10
Treasury Bills (13-week)	9.35
Treasury Bills (26-week)	9.41

GERMANY

Discount Rate	3
Overnight Rate	3.5
One month	3.75
Three months	4.15
Six months	4.35

FRANCE

Discount Rate	9.5
Overnight Rate	6.375
One month	6.75
Three months	7.0
Six month	7.4375

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.5
Bills Discount Rate	4.625

FINANCIAL TIMES SURVEY

Thursday February 22 1979

St. Lucia

Another small dot on the world map today achieves independence from its previous colonial overlord — Britain. St. Lucia is one of the few Caribbean islands whose environment justly entitles it to belong to the classic calypso rating — and its new rulers may well prove the case to be true.

Sunshine in more ways than one

By John McCaughey

Gone the time when nations battled
For this "Helen of the West."
Gone the days when strife and discord
Dimmed her children's toil and rest.
Dawns at last a brighter day
Stretches out a glad, new way.

ST. LUCIA, a small island in the Eastern Caribbean with an estimated population of 113,000, became independent in the early hours of this morning. It is the second of Britain's Associated States in the area to achieve independence recently; the Union Jack was lowered in Dominica last November. Neighbouring Antigua, St. Vincent and St. Kitts are embroiled in plans to follow the same path.

Although opinions differ in St. Lucia as to whether independence is a good thing and as to what it all means anyway, the author of the national song (this second verse is quoted above) has managed to catch the spirit of emotional optimism that has built up on the island. The mood of celebration in Castries, the island's capital, was running high in any case; carnival is just around the corner and the Kerry Packer cricket circus will shortly be arriving to play on the island.

In reality, however, as the island's Prime Minister John Compton has pointed out, St. Lucia has been independent for a long time—since 1967, in fact, when the island became an Associated State with full self-government apart from defence and foreign affairs. Even in the latter case, the St Lucian Government has had considerable control and has been allowed to largely decide upon its own policies with regard to Canada and to the Caribbean Community and Common Market (Caricom).

The issue of independence (in an island which, during its history, has changed hands 14 times between the British and the French) has nevertheless caused something of a political storm. Since negotiations on the matter began three years ago, the opposition St. Lucia Labour Party (SLP) has frequently accused Prime Minister Compton and his United Workers Party (UWP) of forcing the island to become independent against the wishes of a majority of the people. The SLP has also bitterly denounced the British Government for its "betrayal" in failing to hold a referendum on the issue and it has announced that it will boycott all independence celebrations.

Stripped of its many emotional and technical arguments, the SLP's position is that independence is all right in principle but that it ought not to be taking place under the present government and while the nation is divided on the issue.

As no polls have been taken among the population, it is impossible to say who is right but most political observers on the island claim that the opposition has considerably exaggerated the number of people who are not in favour of independence. The electorate will in any case have an opportunity shortly to express itself upon the matter. Prime Minister Compton's term is close to expiry and he must call an election within 90 days of June 6. It will be this election — rather than any bickering over the rights and wrongs of independence — that will dictate the economic future of the island.

Power

The UWP at present holds 10 seats in the 17-seat House of Assembly and has been in power for 15 years. In many countries this would be enough to bring about a powerful "time-for-a-change" mood in the electorate, but the SLP seems ill-positioned to capitalise on any such feeling.

The party is split into two factions — one a middle-of-the-road group led by the official Opposition Leader, 61-year-old retired judge Allan Louisy, the other a more radical and vocal grouping, controlled by the island's trade union leaders, Peter Josie and George Odlum. The contradictory and often vague policies advanced by the opposition (Mr. Louisy describes the SLP's platform as one of "elevating the lot of the masses") seem unlikely, therefore, to pose any real threat to Mr. Compton's re-election,

but he will have to work hard to increase a majority that was severely eroded at the last election in 1974.

Under new voter registration, the St. Lucia electorate may increase from its current 53,000 to between 70,000 and 80,000, so many imponderables exist. In a country with a low literacy rate and a high proportion of the population speaking only patois (a French-influenced pidgin English), radio will play a big part in the campaign and this automatically gives the governing party an advantage. There are also wage settlements outstanding with the teachers, policemen and other public servants and Mr. Compton could employ these as "sweeteners" before going to the polls.

But a larger imponderable is how St. Lucia's many young people (60 per cent of the population is under 25) will vote. So far, the island's youth has been apathetic at election time and it has not been conspicuously wooed by either party, but their numbers would be sufficient to decide the issue were they to vote en bloc.

The sunny island's normally tranquil political life has also been enlivened recently by several explosions. No one has been hurt in the blasts, which have been directed at public sector targets like the Government printery and a garbage truck depot. But the explosions (for which no one, as they say in Northern Ireland, has claimed responsibility) have brought about increased security and some tension. The tension had already been established by a statement of Mr. George Odlum's that under the circumstances he "could not guarantee the safety of people attending the independence celebrations."

Mr. Odlum, who is known to his supporters as Brother George and to his opponents as Mad George, is adept at well-timed publicity gestures. In early January he entertained a meeting of SLP supporters by burning an effigy of Mr. Ted Rowlands, Britain's Minister of State for Foreign and Commonwealth Affairs, whose name is now a household word in St. Lucia and who is the main target of opposition denunciations of how HM Government has handled the independence issue.

Principal

Such West Indian shenanigans aside, the island's independence does present an opportunity to examine the many problems that the new nation will face when the British flag has been lowered and the carnival mood has dissipated. The principal one — a problem that many of St. Lucia's Caribbean neighbours share — is a population growth rate that the economy cannot sustain.

The St. Lucian population is now growing at a rate of approximately 2.5 per cent a year, with an estimated 3,000 young people entering the job market every 12 months. This is much more than the economy can absorb. It has brought about a very high unemployment rate among young people and put a heavy strain on social services. The island is 90 per cent Roman Catholic, so although some Government facilities are made available to the family planning organisation there is no official birth control programme.

It is a problem the Prime Minister is determined to tackle although, having been a politician on the island for close to 25 years, he is unlikely to do so until after the forthcoming election. His target is to get population growth down to some 1.5 per cent per annum.

While the population growth rate (unrelieved by the emigration which characterised the 1960s) is the biggest challenge facing the new nation, other problems confront the Government. Much work remains to be done in developing the rural areas and arresting the drift towards the capital of Castries, in and around which more than half the island's population lives. Tourism, agriculture and manufacturing industries all face constraints in their development which require urgent attention. The educational system requires restructuring to produce the electricians, mechanics, engineers, builders and agriculturalists that St. Lucia needs.

Given the pace at which St. Lucia's population is growing and the rate at which it is developing (considerably faster than most of the less developed countries in the Caribbean), whichever party wins this year's election may find it has taken on more than it bargained for. But St. Lucians do not go completely defenceless into that imponderable future. The author of the national song has armed them with another stirring verse.

May the Good Lord bless our island,
Guard her sons from woe and harm.
May our people live united,
Strong in soul and strong in arm.
Justice, truth and charity
Our ideal forever be. . . .

ST. LUCIA II

Confidence the watchword

THE MOOD of economic assurance with which St. Lucia has approached its independence was demonstrated last year when Prime Minister John Compton delivered his 1978-79 budget — which covers the current independence period. The EC$94m expenditure programme contained no new taxation provisions. The money that St. Lucia would need, Mr. Compton confidently told the House of Assembly, would come from "the sheer economic growth which will result from the implementation of various development projects and from private investment during the coming year."

Mr. Compton's easy confidence is based on policies which do not endear him to his political opponents on the island but which nevertheless probably augur well for the economic security of the island as it faces the challenges that independence will bring. Buoyed up by a £10m golden handshake that the UK pressed into the Government's palm as a farewell gift to its old colony, the Prime Minister is in no doubt that the main benefits that will accrue with independence are economic.

These policies eschew any volume role for post-independent St. Lucia on the stage of international politics and enshrine an unabashed regard for the private investor. "I see independence purely in economic terms and the post-independence thrust will be purely an economic one," Mr. Compton says. "Although we can't ignore what is happening on the international stage, it should not be allowed to deflect us from our main goal, which is to make the country economically independent and progressive. The important test after independence is whether we can maintain a stable political and industrial climate. Private investors will be wary and we must woo them and maintain their confidence so that they will invest in and take advantage of the infrastructure that we are putting down in St. Lucia. As we see it, private investment—from both local and overseas sources—will develop the economy much more than any injection of funds from the public sector."

Diversity

Under the Government of Mr. Compton and his United Workers' Party (UWP) the new nation plans to diversify and greatly enlarge its search for foreign aid, employing the World Bank, UN agencies, the European Development Fund and the Organisation of American States, as well as non-traditional aid donor countries such as France, West Germany and Venezuela. From these sources the Government has to find the funds to finance the many capital projects it is either planning or engaged on.

St. Lucia's economy is based on three industries—agriculture (the traditional mainstay), tourism and manufacturing—all of which, despite the various constraints which operate on them, are performing well.

In agriculture the banana industry is now showing marked signs of recovery after a series of disastrons droughts in the last nine years. In a bid to alleviate the problems caused by the droughts, the Government is devoting some eoergy to an irrigation programme, eccompanied by efforts to persuade St. Lucian farmers to diversify into other crops. It is also attempting to change the image of farming on the islend from that of (in Mr. Compton's words) "a mud but, e patch nf land in the hills and poverty" so that more yonng people will be attracted tn this sector.

Tourism—an industry that hes only become organised on the islend during the last ten years —is growing at a rapid rate, limited only by leck nf hotel accommodetion and difficulties which the Governmeot has experienced in attracting a greeter number of scheduled flights. Although it has not surpassed agriculture as an employer of laboor, it is now the couotry's biggest foreign exchange earner.

Tourism is, however, e notoriously fickle business and the island's agriculture depends npon the export of banaoas to the protected UK market (a market that could be affected by any future EEC policy on imports of the fruit). So it is to manufacturing that the Government is principally looking for the engine that will lift St. Lucia out of its current category as an Eastern Caribbean Less Developed Country (LDC).

The island now boasts more than 40 manufacturing enterprises (turning out items as diverse es beer and bras) and in the last four years the sector contributed some 2,500 jobs to the economy. The Government's currcot goal—despite stiff competition from other Caribbean Common Market (CARICOM) countries—is for manufacturing to furnish another 250 new jobs annually.

One spectacular coup which it engineered to this end was the ettraction of a U.S.$ 150m oil refinery end transhipment complex now being built by the Amerada Hess Corporation. Although the subject of much political controversy on the island, the refinery currently employs about 300 St. Lucians aod the figure may rise to 600 when it is on stream.

To enhance the island's attractions for foreign investors interested in setting np manufacturing plants, the Government has devoted great effnrts to improving the island's infrastructure. As a result the island's roads, deep-weter ports and airport are the best to be found among the Eastern Caribbean LDCs. Low-price geo-thermal energy is also being gradually developed from sulpbur springs at Soufriere, some 26 miles from the capital Castrics, and a generons package of fiscal incentives is available to would-be investors.

For all the Government's efforts to huild up the economy, however, it admits that unemployment is unacceptably high. It is difficult to agree a definition and measurement of unemployment in Caribbean countries like St. Lucia, but the best estimates suggest that the jobless rate is around 15 per cent and double that among St. Lucians under 25.

Task

At the root of this is a population growth rate of more than 2.5 per cent per annum which puts somewhere around 3,000 young people on the job market annually. Getting that growth rate down to the 1.5 per cent sought by the Prime Minister promises to be a long and difficult task on this 90 per cent Roman Catholic island.

The situation is worsened by the gradual improvement in education that has prompted an increasing number of young people to aheodon traditional occupations like agriculture in search of more glamorous end better-paid white coller jobs. The bulk of this demand cannot be met.

The inflation rate (elthough it is too hard to determine accurately) is high. It is geoerally estimeted to be runniog at 20 per cent. A great *deal of it is imported* but Government attempts to curb it (such as controls on the price of essential foodstuffs) have not been successful.

For all its problems, however, St Lucia can boast considerable achievements. Its high tourism, agricultural and manufacturing earnings have saved it from balance of payments problems (St Lucia and Antigua are the two biggest contributors of foreign exchange to the Eastern Caribbean Currency Authority which links the Windward and Leeward Islands) and it is generally acknowledged to be the most economically advanced of the smaller CARICOM States.

In a Green Paper published last year, outlining the advantages which the Government saw in independence, St Lucia's per capita income of U.S. $485 annually was seen to be higher than that of 23 of the 36 independent countries in the Commonwealth. The Paper also quoted epprovingly from a UN study which described St Lucia's economic performance since the oil crisis as the best of the LDCs in the Eastern Caribbean. The island, it was pointed out, also has a tradition of devoting more of its fiscal revenue to development projects and less to recurrent expenditure than any of its neighbours.

In the early 1970s, when banane exports were at a peak and tourism had brought a boom in construction. The St Lucia economy suddenly prospered. The oil crisis stopped that but many on the island now claim that the economy is once again at "take-off point."

John McCaughey

Industrial aims face stiff challenge

THE PECULIAR problems a small Caribbean State faces when it tries to break out of its agricultural export tradition and establish the beginnings of a manufacturing sector are well illustrated in a wry tale told by St. Lucia's Prime Minister, Mr. John Compton.

"There was this industrialist who came down here to look at one of our industrial estates in Vieux Fort, in the south of the island. He seemed to like what he saw but his wife took one look at the place and cried in horror: 'But where will I go to have my hair done?'" End of would-be investor's interest.

Since those days social amenities have improved in the part of the island to which Mr. Compton was referring. A large hotel has been established on the beach not far from the industrial zone and the coiffure needs of today's investors' wives are more easily met.

But attracting foreign investment capital in quantities sufficient to cope with St. Lucia's development and employment requirements (the Government hopes for 250 new manufacturing jobs every year) remains a challenging task, since the island faces energetic competition from fellow members of the less-developed country (LDC) group in CARICOM, not to mention the more-developed states (MDCs) like Trinidad and Tobago and Barbados, which have a considerable head start.

St. Lucia, however, can, and does, boast certain advantages. Though it is not considered proper these days to flaunt the cheapness of one's labour, the fact is that labour costs in the island's manufacturing sector are still low by metropolitan and even CARICOM standards. People like mechanics, assembly line workers, masons, carpenters and garment workers still earn in many cases only one-third, sometimes one-quarter, of the wages paid to similar craftsmen in, for example, Trinidad and Tobago.

The Government has devoted the major portion of its external aid funds to physical infrastructure, with the result that St. Lucia enjoys the best deep-water harbour, the most modern air terminal and the smoothest roads in the LDC group.

The most telling point of all in the island's favour, however, is that it possesses the only source of indigenous energy to be found in any of the smaller CARICOM territories. The sulphur springs at Soufriere in the south west, 26 miles from Castries the capital, are about to be converted from a modest tourist attraction into the force that drives the turbines to produce electricity from two small generating plants.

The earlier euphoria about the energy possibilities thrown up by steam generation has abated somewhat, since the commercial potential of the geothermal zone has proved less extensive than originally believed (out of seven wells drilled, only two proved to have steam of sufficient quantity and pressure to provide power).

Nevertheless, the two half-megawatt, second-hand plants the Government has decided to establish in the area (at the relatively moderate cost of U.S.$150,000) will offer enough additional power, and at a reasonable enough rate, to attract, it is hoped, larger industries for which marginal power costs are an important factor.

The Commonwealth Development Corporation (CDC), which holds the majority share in the local power company, St. Lucia Electricity Services, is the likeliest source of finance for the plants.

Mr. Clendon Mason, the Minister of Communications, Works and Labour, who has responsibility for the thermal project, stresses that the two pilot generators "are in the nature of an experiment on which we hope to build in the future if further exploratory drilling leads to the discovery of more productive wells."

He acknowledges that the Government has scaled down its earlier projections for thermal energy and admits that "the time is still far off when the base load for the whole country can be supplied by steam generation, though that is still the ultimate objective."

St. Lucia will therefore continue to be dependent on important fuel oil to drive its main diesel-generated power plant for many years to come and the EC$ 11m it spent in 1977 to buy oil (mainly from Trinidad and Tobago) is unlikely to come down; indeed, it will almost certainly go up as petroleum prices rise at the instigation of OPEC.

Mr. Mason expects thermal power to become a reality before the end of this year; the 1MW of additional capacity that will be added to the existing total output of 10.4 MW will be available for industrial consumers in the south, specifically in the Vieux Fort area and on the Soufriere industrial estate which is shortly to be established not far from the site of the sulphur springs themselves.

Space

There is adequate space for additional industries in Vieux Fort, where the Government owns 6,000 acres of land conveniently located near to a jet airport and a deep-water harbour. The area's previous claim to fame as the site of a World War II U.S. Air Force base has since given way to its new status as main growth point for industrial development in the south of the island.

Some 105,500 sq ft of factory space already exist and another 4,000 are currently being added. Factories now operating include those devoted to the manufacture of cardboard cartons, garments, electronics, beer and essences.

It remains to be seen whether lower-priced thermal energy proves an effective enough attraction to lure investors to the south, because the north west of the island, around the Castries-Cul de Sac area, is once again beginning to exert its understandably more powerful pull.

The main industrial zone in the north, at Bisee, just outside Castries, is smaller than its counterpart at Vieux Fort, playing host to a mere 42,000 sq ft of factory space. But this is being boosted by another 16,000 sq ft, with further expansion planned. As the island's capital, Castries naturally offers better social attractions and these are being reinforced from the investor's point of view by the superior facilities shortly to be provided by the upgrading of the Castries port now taking place.

A second port, offering customs free zone privileges, is planned at Cul de Sac bay just south of Castries.

The Government is a little worried that the concentration of port development in the north, allied to the wider range of services found in the capital, will stymie its hopes for further

CONTINUED ON NEXT PAGE

Frank approach to foreign relations

PRIME MINISTER Compton takes an uncomplicated, almost brutally frank view of the value to St. Lucia of one of the two residual responsibilities it is inheriting today from the British Government. "What being in charge of our own foreign relations means to us?" he muses. "Simple. A chance to diversify our sources of aid and obtain as much economic assistance as possible to develop our country."

The answer is typical of the 54-year-old political leader's approach to the development problems of his small Caribbean island; putting on airs and harbouring secret ambitions of making a mark on the international diplomatic stage has never been one of Compton's weaknesses.

In its days as an Associated State (when it was in charge of its own affairs bar foreign relations and defence), St. Lucia was relatively successful in attracting aid funds on soft terms for its annual spending programme from such sources as the UK, the Caribbean Development Bank (CDB) and Canada. It was allowed to negotiate directly with the latter by special dispensation of the British Government.

Restrains

Now, all practical and theoretical restraints have been lifted and St. Lucia intends to pursue an eclectic independence policy of obtaining economic assistance wherever it can be found on acceptable terms (within certain policy limits, of course; it would obviously not accept aid, even if it were available, from countries such as South Africa, for instance).

Mr. Compton particularly has his eye on the international agencies, to which he had previously been denied access by virtue of St. Lucia's semi-independent status.

When the first Lomé Convention between the EEC and the ACP countries was being finalised, for example, Compton was upset because St. Lucia, in common with other Associated States in the Caribbean, was unable directly to influence the outcome of the economic assistance package negotiated on its behalf by the British Government.

When the World Bank in Washington put together a Caribbean Group for Co-operation in Economic Development (CGCED) in June last year for the purpose of mounting a short-term programme of extra-ordinary economic aid to CARICOM countries, help for the non-independent territories was conspicuous by its absence.

As Compton himself cynically noted afterwards: "The short-term package, known as the Caribbean Development Facility, started off as a good idea but ended up giving a lifeline to Jamaica and Guyana in particular. The interests of territories like St. Lucia were all but forgotten. Our presence there was all window-dressing, as far as I can see."

The status of independence should change all that; at least, that is the Prime Minister's hope. Certainly St. Lucia intends to do its own bargaining, probably in concert with other independent CARICOM States, in the current discussions leading up to the second Lomé Convention. It also plans to join the Organisation of American States (OAS) and seek whatever benefits are available to smaller members of that organisation.

Almost as important as aid are the trading gains St. Lucia believes can come its way from being able to speak for itself in the outside world.

One of the island's most lucrative trades is tourism and St. Lucia earned no less than EC$ 38.1m from that source in 1977 when, according to the Tourist Board, 18 per cent more visitors came to the island than in the previous year.

Safeguarding and expanding this trade is a prime preoccupation of the St. Lucia Government and it was a favourite theme of Mr. Compton's before independence, retailed at anguished length to any visiting journalist who would listen, that St. Lucia's inability to make its own arrangements for air services from the outside world was severely hampering tourist growth.

Chosen

Although Mr. Compton has no desire to posture in the councils of world politics, he is likely to play a role of some importance in regional CARICOM affairs.

He has been chosen by his colleagues in the other Associated States which also hope to become independent this year—St. Vincent, St. Kitts-Nevis and Antigua—to come up with proposals on how the smaller CARICOM territories can pool their resources to maintain some sort of loose collective identity after they have gained individual autonomy, especially in relation to foreign affairs.

The group has already agreed to retain its joint monetary system within the Eastern Caribbean Currency Authority (ECCA) and to upgrade the latter into a full regional central bank.

"It's a matter of cost-effectiveness for us to stay together after we all achieve independence on our own," Compton explains. "It's the sensible thing to do. It would cost St. Lucia over EC$1m to run a High Commission in London alone."

Final decisions have not yet been made but the St. Lucia Prime Minister's proposals to his colleagues are likely to emphasise the desirability of having one respected political figure in the group designated "foreign minister," who would travel abroad and conduct negotiations with other countries and international agencies on the islands' behalf.

It is expected that Grenada, which has been independent since 1974 and has co-operated with its colleagues until now, will continue to participate in joint initiatives. Dominica, which became independent on November 3 last year, has on the other hand displayed a tendency to want to look after its own overseas interests and will probably not at the start be part of the collective approach.

"Dominica has told us nothing so far," confirms Mr. Compton. "There has been no communication on the subject between Dominica and ourselves."

On the wider CARICOM front it is likely that Mr. Compton will wish to devote a portion of his energies to helping revitalise the regional movement at the political level.

The Heads of Government of CARICOM, unlike the leaders of the smaller Associated States group of which Compton is a moving spirit, have not held a formal meeting to discuss pressing economic and other issues for over three years.

The St. Lucia Prime Minister is of the view that unless such a meeting is convened before the end of this year, irreparable harm could be done to the concept of regional collaboration, since the absence of clear political commitment could adversely affect the functioning of many of CARICOM's economic and trading mechanisms.

David Renwick

Bananas a risk crop

AGRICULTURE in St. Lucia used to be synonomous with "King Cane" but nowadays almost entirely involves "Green Gold." To express that in a less West Indian vocabulary, the cultivation of sugar, which once dominated the island's economy, had been superseded by the growing of bananas.

The sugar crop failed on the island for a number of reasons—principally the fact that the hilly topography and absence of large estates made the operation of the sugar mills unprofitable. But St. Lucia suffered from the failure much less than it might have. In the 1950s the Geest company—having set up a regular shipping service and a protected market for the crop in the UK — started to grow bananas on the island.

Recently Geest announced its intention to pull out of banana cultivation (it owns two large estates totalling 3,000 acres in St. Lucia) on the grounds that it is inappropriate today for an expatriate company to have such large land holdings there. But it has amply demonstrated that the fruit will thrive in St. Lucia and although in recent years tourism has overtaken the industry as a foreign exchange earner, banana growing is still the largest employer on the island. Estimates put the percentage of the workforce employed in the industry (including ancillary workers) as high as 48 per cent. Bananas account for some 45 per cent of total exports.

The 1970s have, however, been trying for years both for Geest and for St. Lucia's banana-growing small farmers. Seven of the last nine years have been afflicted by drought and it was only in 1978 that the crop showed signs of recovery. St. Lucia's banana exports, which in 1969 were almost 85,000 tonnes, fell sharply in successive years to as little as 32,000 tonnes in 1975. By 1978, however, exports had recovered to 52,000 tonnes and estimates for 1979 suggest that the figure may reach 62,000 tonnes. Farmers have also been helped by the improved market price (currently around EC$ 1,200 per tonne) that the crop has been able to command.

Persevered

In many ways it is astonishing that the 10,000 or so St. Lucian small farmers (with average holdings of between four and five acres) persevered with the crop during the drought years. The main reason for their so doing was the fact that the crop is the only one grown on the island that gives the small farmer cash in his hand each week. So for the most part they gritted their teeth and somehow kept going during the bad years.

None the less, most agricultural planners on the island say that many of the farmers ought not to be growing the crop—either because their soil is too poor or because they have insufficient acreage—and that considerable diversification of crops will have to come. No one is suggesting that bananas be phased out on the island but agriculturalists believe that if the five-acre farmer could be persuaded to grow bananas on three acres and a different crop on the remaining two acres, he would have a buffer against the difficulties of drought years.

Adequate irrigation is the only answer to St. Lucia's drought problems and the Government is placing a great deal of emphasis on the problem. The Ministry of Agriculture has set up a number of pilot projects to try to devise ways of successfully building a system to irrigate the patchwork quilt of small farms which comprise the island. Water conservancy is a parallel priority—the droughts would be greatly alleviated if there were ways of conserving the rainfall on St. Lucia, which at present mostly runs off the land and back into the sea.

"Bananas face a lot of other problems as well as drought," one leading grower points out. "World production is 6-7m tonnes and world consumption is 5-6m tonnes. So only a system of tariffs and trade barriers and natural disasters—like drought in the West Indies or tornadoes in West Africa—keep the whole thing going. It hasn't occurred yet, but one year everyone is going to have a good year and God knows what will happen then. . ."

Geest and Winban (the Winward Islands Banana Growers Association) co-operate in research aimed at improving the quality of the fruit offered to the notoriously fussy British housewife and these efforts although hampered by the recent droughts, have brought about some improvement. Both organisations admit, however, that considerable room still exists to bring about better quality.

British aid has also played an important role in keeping the banana industry alive in St. Lucia and the other Windward Islands. A British-financed £20m five-year development plan for the industry in the Windwards was launched in June 1977 and is now getting into top gear. Between 1973 and 1976, total British aid to the industry was EC$12m.

Coconuts and cocoa are the island's other main crops. Helped by EC$2m of British aid, the coconut industry has recently been rehabilitated and production for the first nine months of last year totalled 4,385 tons, worth EC$4.4m. This is expected to increase sharply this year and a factory has been established on the island to process the coconuts in vegetable oil and other refined materials.

The cocoa industry has also been the object of a rehabilitation project (funded by EC$1.5m of British aid) which aims to bring production up from its present low level of 100 tonnes per annum to 500. Cocoa prices on the world market have fluctuated considerably but are now showing an increase and the Ministry of Agriculture hopes to capitalise on this and to set up an industry on the island processing the cocoa rather than having it exported in raw material form.

The diversification programme also intends to attack the island's high import bill for meat and dairy products. A commercial livestock project has been established, with the help of EC$2.6m aid from the European Development Fund. It will provide a nucleus of breeding stock for the island as well as a new abbatoir and a milk processing and packaging plant. Some 80 per cent of St. Lucia's beef and 90 per cent of its milk is imported and it is hoped that the dual-purpose beef and dairy complex will bring about a fall in these figures.

The Agriculture Ministry has also set up an EC$500,000 tree crop project — cultivating mangoes, avocado, pinaapple and a number of varieties of citrus for both the local hotel market and for export. It is hoped that many of the small banana farmers can be persuaded to diversify into this field.

The marketing of non-traditional and perishable crops like these has always posed transport problems for St. Lucia but these may be circumvented by the keen interest expressed by Geest in carrying the traffic on its refrigerated shipping, which now caters for the banana market.

Efforts are also being made to substitute local produce for imports in the island's hotel industry. The Government licences certain food imports by the hotel industry, attempts to persuade hotels to increase the choice of local dishes offered to tourists and provides some incentives to farmers to produce vegetables for the hotels.

A great deal more will have to be done in the area of import substitution, however, before an appreciable dent is made in the food import bill, which was EC$35m in 1977 and is estimated to be growing at a rate of nearly 20 per cent per annum.

J.McC.

Challenge

CONTINUED FROM PREVIOUS PAGE

industrial growth in Vieux Fort.

One answer might possibly be to try to encourage local entrepreneurs to redress the balance by establishing in areas where foreign investors (or their wives) fear to tread. Possibly. But if the experience of the National Development Corporation (NDC) is any guide, it will be difficult enough finding the potential St. Lucian industrialists in the first place, far less persuading them to venture out into the sticks.

The St Lucia National Plan, published in 1977 and covering the period up to 1981, declared the "mobilisation of local entrepreneurial talent" to be one of the Government's nine industrial development objectives but progress towards its realisation has been painfully slow.

Mr. Leslie Clarke, general manager of the NDC, frankly admits that St. Lucians do not have a history of industrial activity.

He notes that not a single factory on the Vieux Fort estate is owned by a St. Lucian manufacturer (excluding the Government); in Bisee only two factories are St. Lucian-controlled.

In pursuance of the policy to encourage local entrepreneurship, the NDC has borrowed money from the Barbados-based Caribbean Development Bank (CDB) to establish a small industries credit scheme for St. Lucian manufacturers.

But borrowers have been slow to come forward, despite the Corporation's willingness to cover up to 80 per cent of the cost of any single project. This lack of interest caused Mr. Mallet to deliver a sharp reprimand to the members of the St. Lucian Chamber of Commerce at their recent annual meeting.

It is conceivable, however, that the NDC, faithfully adhering to the preferences of its own patron, the Caribbean Development Bank, may be taking too rigid a view of the creditworthiness of its potential customers and thereby stifling incipient entrepreneurial talent at birth.

"The small industries programme has been slow because we have to ensure the money is properly invested," explains Mr. Clarke. "We won't fund projects that we consider marginal." That may be fine banking theory, but not necessarily the way to ensure rapid development of a class of indigenous industrial risk-takers.

D.R.

Too many children for the jobs market

THE MACHISMO of the St. Lucian male poses as much a problem for official planners on the island as it does for those elsewhere in the Caribbean and Latin America. The rate at which he has been fathering children does not correspond to the Government's finely tuned projections for economic growth and the development of social services.

As recently as 1973 the population was increasing at the alarming rate of 3.2 per cent a year and though that fell to 2.7 per cent in 1974, by the following year (latest for which statistics are available) it had turned up again, to 2.9 per cent.

The birthrate was 35 per 1,000 in 1975, high even by the standards of the developing world. An average of six children are born to every mother in St. Lucia, a reproductive rate in excess of most CARICOM countries.

Prime Minister Compton frankly admits that the need to reduce the birthrate remains the biggest social challenge facing an independent St. Lucia. It is a problem particularly difficult to overcome on the island for a number of entrenched psychological and cultural reasons.

How, for example, do you deal with the mentality which says that a girl of 17 is not a "woman" unless she has already borne at least one child?

How do you proceed to convince the rural male that he should not regard it as an achievement to, in Mr. Compton's own words, "go boasting to his friends in the rumshop that he has 15 children with seven different women"?

How do you even begin to communicate your family planning message when 20 per cent of the population only vaguely understand the language in which such a message is couched in the first place? (Because of their French past, rural St. Lucians very often speak patois far better than they do English.)

On top of all these obstacles that are peculiarly St. Lucian, there is the traditional resistance of the Roman Catholic Church to the use of any method of birth control other than the rhythm system. The Church is solidly established in St. Lucia, where 90 per cent of the population are Catholic—perhaps the highest such ratio in the English-speaking Caribbean.

The Church can deliver, or withhold, votes, as it has demonstrated in the past—and Compton's United Workers' Party (UWP) Government, with only a 10-7 majority in the House of Assembly and an election due some time this year, is understandably wary about crossing swords with the powerful Roman Catholic priesthood.

Issue

Mr. Compton himself is Church of England by religion but most of his Cabinet members are Catholic. This goes a long way to explaining why, although the Government acknowledges the population explosion as its key social issue, there is as yet no official family planning programme in St. Lucia, unlike the situation in other CARICOM territories.

The privately run St. Lucia Family Planning Association must struggle on as best it can in its work of spreading the birth control message to a population of hostile males and hesitant females. Though it is allowed to use Government health clinics and even Government nurses to distribute contraceptive devices, it enjoys no direct budgetary grant from the State.

Its funds come from the International Planned Parenthood Federation (IPPF) and even these are unreliable: its 1978 grant of U.S.$ 41,000 was less than it received in 1977 and its allocation for this year is only a modest U.S.$ 5,000 more.

Whether Mr. Compton will take the decision to grasp the birth control nettle after the next election (assuming his party wins it) remains to be seen. A measure under consideration by the Government meanwhile is to find a way of making the man responsible for the children he has fathered, so the end results of machismo become less attractive.

A high birth rate has, of course, its own social multiplier effect by creating related problems in such fields as education, housing and water.

Despite the allocation of 30 per cent of the current budget to education, the St. Lucia Government has still not felt able to make primary education compulsory. Though the recently published National Plan contends that 92 per cent of primary age children are at school, many of these have to attend classes on the shift system, an unsatisfactory method of education at the best of times.

The level of illiteracy is still high for a territory which hopes within the next five years to change its status from that of a CARICOM less-developed country (LDC) to that of a more-developed country (MDC). The National Plan notes that 22 out of every 100 adults could not read or write at the time of the last census: even in the 15-19 age group, six out of every 100 were illiterate.

The Government has had more success with meeting demand for primary school places, even on the basis of the shift system, than it has had with secondary level education.

Only 12 per cent of those in the relevant age group were at secondary school in 1976, according to the National Plan. The rest were obliged to stay on until 14 in the post-primary classes of the primary schools, where they received, at best, rudimentary further education.

To improve this situation, the Government recently embarked on a programme of junior secondary school construction. Five such schools have so far been built at strategic locations around the island, in an effort to spread the benefits as widely as possible out of the urbanised north west capital region around Castries.

Geared

There is no guarantee that the junior secondary graduates will automatically go on to senior secondary level but at least they will have been exposed to a curriculum that is geared to teaching them a trade skill of some kind in a way that is not possible in the post-primary environment.

In view of its development emphasis on industrialisation, the Government is anxious that school leavers have some technical and vocational background and the junior secondary schools are designed to fill that bill: for those desiring a more advanced level of technical education, a specialised college is available.

According to Mr. Alan Bousquet, the Minister of Education and Health, a shortage of capital funds will prevent the Government building any new secondary schools this year despite the manifest lack of places, but it does intend to replace existing schools that are badly in need of repair, particularly primary schools.

"Many of our primary schools are over 70 years old," he says. "The Government primary school in Castries, for example, has been in the same building for 78 years."

Gaps in the social infrastructure do not extend to school places alone: St. Lucia is also victim of a serious housing shortfall. A recent United Nations Development Programme (UNDP) study revealed that only 21 per cent of urban and 15 per cent of rural dwellings were of such a standard as to require no major improvements over the next 10 to 15 years.

Of the rest, 48 per cent of urban and 60 per cent of rural homes needed structural alterations to bring them up to the required habitable levels and 31 per cent of urban and 8 per cent of rural dwellings suffered from dilapidation and acute overcrowding.

During the last two census periods the average size of rural households increase from 4.6 to five people, while that of urban households went up from 3.5 to 4.2.

The Government hopes the current housing deficit will be eliminated by 1990 through a public and private sector construction programme of 1,100 houses a year. Since the current rate of domestic house-building is only about 300 a year, the target is clearly not an easy one to meet. At the same time it is expected that 50 per cent of the houses currently considered sub-standard, will be upgraded over the next 10 years.

St. Lucians have also traditionally suffered from a water problem, especially in the north west Castries/Gros Islet area during the dry season. The several water systems are not integrated and many village communities lack a water supply into individual homes, as the many public baths one sees throughout the country testify.

Total demand for domestic and industrial water currently stands at 3.4m gallons daily; maximum storage capacity of 3.3m gallons is insufficient to meet this.

The Hess oil transhipment terminal project alone will need 2m gallons a day by the time it is completed next year, not to mention other industrial projects earmarked for the north west.

An increased water supply is therefore a pressing matter and consultants have recommended that a dam be built in one of four possible locations in the Roseau Valley area. Hitherto almost all St. Lucia's water has come from surface sources, with no impounding prior to treatment. The treatment system itself has varied widely and some village communities receive water that has not been treated at all.

The Government's inability to meet the water needs of the people has had its positive side, however. An official of the Ministry of Housing, Community Development and Social Affairs proudly displayed a letter from 15 residents of a small village in south-west St. Lucia, offering to dig trenches, lay pipes and perform all other necessary construction work for two hours a day free, so that water could be brought to their area.

He thought this demonstrated "a spirit of community self-help" which, he felt, could not be all that bad a thing for a small island now embracing independence, whose Government clearly could not find it possible to meet all social and economic needs at one and the same time.

D.R.

Heated debate about the oil terminal

PERHAPS NOTHING in recent times has generated more heat between the St. Lucia Government and the Opposition St. Lucia Labour Party (SLP), with the single exception of the independence issue itself, than the controversy over the transhipment terminal and oil refinery being built on the island by the Amerada Hess Oil Company of the U.S.

Hess, one of the top 20 U.S. oil corporations, chose St. Lucia because one of its many sheltered areas on the west coast (in this case, the Cul de Sac bay) could be converted without undua difficulty into a port and storage complex capable of accommodating the world's largest VLCCs, which have not been able to put in with full loads at the company's oil terminal in nearby St. Croix in the U.S. Virgin Islands.

St. Lucia was seen as the transhipment centre for a significant portion of the cruda destined for Hess's 700,000 barrels-a-day (b/d) refinery in St. Croix and the company persuaded the Government to let it build an oil port with associated storage capacity of 630m gallons and, ultimately, a 250,000 b/d refinery to complement its Virgin Islands facility.

Construction work on the 600-acre site began in August, 1977, but the political reverberations are still to be beard, in however muted a form, in circles where opposition sympathisers gather.

For example, the SLP is still smarting over the fact that Mr. Leon Hess, the head of the company, insisted that the entire St. Lucia House of Assembly, including all seven Opposition members, approve the Bill authorising the establishment of the complex on St. Lncian soil. They resented what they considered dictation to MPs on the way they should represent their constituents' interests and wbat amounted in effect to benign blackmail on the company's part. However, they went along with it, because of wbat seemed to be clear support for the project by the St. Lucian public, understandably excited over the prospect of hundreds of well-paid jobs opening up in a new industrial field.

The Opposition also disliked many of the terms Hess was ahle to obtain from the Government, in particular tbe throughpnt charge payments, which were considered too low at US$0.02 for each barrel passing through the storage terminal aod US$0.04 for each barrel manufactured in the refinery when built. (By contrast, the Texaco refinery in Trinidad pays US$0.16 a barrel in throughput tax to the Government there.)

Equally unfortunate, from the SLP's point of view, was the fixed nature of the charges and the fact that they were not in any way related to tbe world market price for petroleum products.

Other points of contention included the seemingly unlimited freedom given the company to transfer funds abroad, which was regarded as a threat to the foreign reserves not ouly of St. Lucia bnt the entire Eastern Caribbean Currency Authority (ECCA) area of which St. Lucia is a part, and the apparent diminution of sovereignty implied in the agreement by the Government to allow any disputes with Hess to be settled by arbitrators in Paris, acting under the aegis of the International Chamber of Commerce, rather then in the courts of St. Lucia itself.

Convinced

For its part, tba St. Lucia Government seems convinced that, bowever unorthodox soma aspects of the agreement with Hess may be, the willingness of the company to choose St. Lucia for an investmeot expected to total no less than EC$ 135m (over EC$ 42m more than the island's entire 1978-79 official Budget) is one of the best things that has happened to the economy for a long time.

The dredging of the harbour, reclamation of land and preparation of the site for the dock and storage tanks is well under way and currently providing work for 340 people (all but 40 of them St. Lucians). Construction employment is expected to peak at 2,000 some time this year and decline slowly until the terminal is completed in 1980. The building of the refinery is then due to start and estimated permanent employment in the latter is put at "between 400 and 800."

Government spokesmen also point to the invisible benefits to be derived from Hess's demonstration of "confidence" in St. Lucia's future; they claim to bave begun to detect an increase in inquiries about investment possibilities since the terminal and refinery project became known in North American investment circles.

An indubitably more tangihle spin-off of the Hess preseoce is the dredging work the company has performed for the Government's industrial free port zone adjacent to the oil termioal. The joh would have cost about U.S.$ 1m at commercial rates but Hess has had it done for free.

This emphasis on port-oriented development is an essential part of the Government's economic growth strategy. When the free port zone is ready for tenants some time towards the end of next year, St. Lucia will be the proud possessor of no fewer than four functioning ports, capable of handling all types of vessels—tbe Hess oil port, the Vieux Fort port in the south, the main Port of Castries and the industrial free port. This is considerably in excess of port capacity elsewhere within the CARICOM less-developed country (LDC) group, some of wbose members do not yet have even one deepwater port for handling general cargo.

Some 300 acres of land have been earmarked for industrial development in the free port zone at Cul de Sac, which is designed to be tbe island's third major industrial estate.

Pre-feasibility and engineering designs for the berths and the development of the land ere now underway and the Caribbean Development Bank is likely to be asked to finance most of the costs.

Despite tba experience of another CARICOM territory, Jamaica, whose own free port

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ST. LUCIA V

Tourism clamours for promotion

THE WRITER, Alec Waugh, as hoary an old Caribbean hand as ever meandered through the islands, described St. Lucia in one of his many books about the region. "Travel agent folders of the Caribbean describe the islands in terms of unbroken sunlight, white-gold beaches and towering mountains," Waugh wrote. "All these things are to be found there but rarely on the same island. Dominica is mountainous and majestic but it has no sand beaches off which it is safe to swim, and there is more rain than sunshine there. Antigua and Barbados have beautiful beaches and steady sunlight, but they are flat. A few islands like St. Lucia do, however, have mountains, white beaches and a dry climate."

Public relations experts of the St. Lucian tourism industry have since seized upon this theme and expressed themselves on the subject very frankly indeed. Nature has given the island, one Government publication tells visitors, white sand beaches set off by mountains thousands of feet high. St. Lucia's dry and sunny resorts are contrasted by lush tropical rain forests. There are mangoes, guava and breadfruit growing ripe upon trees waiting to be picked. The island has a drive-in volcano, sulphur springs, unique and fascinating architecture, crafts to admire and a varied and fascinating cuisine to experience.

Oddly enough—for all this abundance of natural blessings and man-made advertising blandishments—tourism only became an organised industry on the island in 1966 when the Commonwealth Development Corporation built a luxury hotel there. And in terms of, say, neighbouring Barbados, the industry in St. Lucia remains a fledgling one.

Visitors

In 1966 visitors to the island numbered just 17,700 but they have increased steadily since then to reach 86,000 (excluding transits) in 1977—a rise of nearly 18 per cent on the previous year. Figures for 1978 are not yet available but are expected to have shown a similar increase and provisional hotel occupancy rates for last year were at 71 per cent—a sharp turnabout from the 35-40 per cent common only a few years ago. The tourists originate—in more or less equal proportion—from Canada, the U.S. and Europe.

The amount spent by visitors has increased at the same time to EC$38.1m in 1977. Adding other indirect taxes to that figure, the industry earned an estimated total of EC$40.7m in 1977.

This rapid rise in the importance of tourism to the St. Lucian economy (it now surpasses both the traditional banana industry and manufacturing as a mainstay of the economy) has in a sense caught both the Government and the private sector by surprise and the industry, as a result, operates under a number of structural and planning constraints that pose considerable problems for its development.

Most noticeable of these constraints is the island's heavy dependence upon charter flight arrivals. Last year more than half of all visitors who came by air came on charter flights—an unusually high proportion and one which worries tourism planners on the island. For them, one of the most immediate benefits of independence to the small island will therefore be its new-found ability to negotiate its own air service agreements, rather than having that task performed for them (frequently not to their satisfaction) by the UK Government.

In the Caribbean generally charter flights have tended to come to islands where there were already established scheduled services. The opposite has been the case in St. Lucia; there are many chartered flights from Europe and Canada but few scheduled ones from the former and none at all from the latter.

Fret

Tourism officials fret about this, not only because of what they see as an inherent fickleness and instability among charter operators (the ghost of Court Line still casts a shadow in the Caribbean) but also because in the event of a charter operator suffering aircraft difficulties he is unable to salvage any part of the tour business by diverting clients to a scheduled service.

Scheduled air services are in many ways the key to the development of St. Lucia's tourism. The island does not have a national carrier and is heavily dependent upon four airlines—British Airways, Trinidad's BWIA, America's Eastern Airlines and LIAT, the small East Caribbean inter-island service.

All of these links have posed problems for the St. Lucia Government. LIAT is a small airline with a poor reputation for reliability and, although its service is now improving, it still has many difficulties that can only be solved by considerable investment in new equipment. In addition, there is growing resistance among tourists to the delays inherent in inter-island hops to a final destination, such as St. Lucia.

While Eastern has been playing an important role in ferrying tourists from North America to the island, it does not provide a non-stop service from New York (the biggest single gateway for visitor traffic to the Eastern Caribbean) and connecting points in the service, such as Puerto Rico, frequently cause bottlenecks for passengers returning from holidays.

BWIA and British Airways have posed problems in different ways. The Trinidadian airline was closed down by a long strike last year, which lost St. Lucia a large number of visitors and demonstrated the island's vulnerability to over-dependence on the airline. British Airways, for its part, was roundly criticised in the Tourism Board's last annual report for providing a service "worse than that provided when it first started service to St. Lucia."

For the industry as a whole, Canada provides the most vexatious example of a market whose growth is limited by the absence of a scheduled service. Air Canada has refused to serve St. Lucia but is reluctant to allow BWIA to fly into its own country, although that airline has expressed willingness to fly a St. Lucia-Toronto route. The topic occupied a considerable portion of the talks held recently between St. Lucian Premier, John Compton, and Canadian Foreign Minister, Don Jamieson, when he visited the island—but neither side predict a rapid solution to the issue.

Other ideas currently being mooted in St. Lucia include the appointment of a lobbyist in Washington to press the island's case with the U.S. Civil Aeronautics Board (CAB) and with various U.S. aviation interests. A plan has also been advanced for a separate ministry to be set up on the island with responsibility for tourism and aviation.

These problems are indicative of the fact that a detailed planning strategy for the tourism industry in St. Lucia has so far been lacking. Although the industry figures prominently in the country's National Plan, a separate document dealing in detail with tourism is still being drafted. Many aspects of the island's laws require updating to bring them into line with modern tourist requirements. Legislation promised two years ago on duty-free shopping is still not enacted, for example, and even such formalities as obtaining a St. Lucian driving permit (in reality, just a question of paying a concealed tourist tax) can be a harrowing experience for the unwary.

Even the provision of statistics on tourism—a vital part of any planning function—is not performed with conspicuous efficiency by the St. Lucian civil service and the Tourism Board's last annual report includes a plea to the Government to give greater priority to this chore.

Another of the industry's concerns is the lack of any new hotel building and the absence of diversified tourist accommodation. St. Lucia is going to need within the next few years at least one more large luxury hotel to augment its 2,800 available beds. This means that such a project should already be at an advanced planning stage but—although many hotels on the island are adding or contemplating extensions—no major new hotel project is underway.

More fundamentally, the island lacks an adequate supply of self-catering "apartment-style" hotels as well as enough small hotels (of around 25-30 beds) run by local people and providing an alternative to the large, impersonal foreign-owned ones which now predominate. Many observers of the Caribbean tourism industry believe that prices in the larger hotels will continue to climb—as owners seek to recoup swiftly their high capital and running costs—and that the future for the industry lies increasingly in self-catering apartments or in smaller hotels, where families can holiday at a price not completely ruinous to their budgets.

Tensions

A different Caribbean-wide problem is that of "attitudes"—the euphemism employed to describe the tensions that can be generated in developing countries by the influx of tourists displaying examples of "conspicuous consumption." Although, to most visitors, St. Lucians exhibit only charm and friendliness, the Government and Tourism Board have gone to some lengths to push a programme aimed at informing the population of the benefit that tourism brings to the economy and the need to avoid being rude to the geese who are laying the golden egg.

In a novel but sensible twist to such campaigns, the St. Lucian programme is also aimed at the tourists themselves and apprises them of how to dress and behave in order to avoid offending local sensibilities. One prominent expatriate businessman in the island's capital of Castries displayed such concern on this topic recently that he astonished idlers in the main shopping street by halting his chauffeured limousine and angrily ordering two tanned, gorgeous but G-string-bikini-clad female shoppers from a cruise ship back to their cabins with instructions that they were not to return until they were dressed in a manner more befitting local customs.

Although not all cruise ship passengers encounter such a spirited reception, a great number do visit the island. In 1977 arrivals numbered 76,000 and are estimated to have spent EC$2.1m. There is likely to be a sharp increase in this traffic when two new berths for cruise ships open in the extensive port redevelopment now underway in the capital. Yacht traffic to St. Lucia is also up and some optimistic estimates suggest that as many as 200 yachts may be involved in the lucrative chartering trade from the island within the next couple of years.

Success

Ultimately, however, St. Lucia's success as a tourism destination and the industry's contribution to the island's development will depend on two factors: political stability and the Government's commitment to the industry. The stability seems reasonably well-assured; Government commitment is more problematical.

As is the case in many Caribbean islands, the St. Lucia Government visualises tourism as merely one plank in its strategy for industrial development. The demands made by other sectors of the fast-developing economy have, therefore, sometimes meant a less-than-rapid reaction to the needs of the tourism industry.

The Tourism Board—a statutory body comprised of Government and industry representatives—emphasised the Government's failings in an unusually-blunt annual report last year. It lambasted the Government for failing to provide more funds in the budget for the industry's development and for failing to properly appreciate tourism's importance to the economy.

The report urged that more money be made available to increase representation and advertising abroad—both in established markets like the U.S. and growing ones like Europe. Lack of money for promotions, it went on, has meant that St. Lucia has not even begun to exploit the U.S. market properly, has been unable to compete with rival Caribbean destinations in wooing Canadian tourists and has been hampered in its efforts to eliminate the traditional summer slump in tourism on the island.

"The Board does not have to repeat its message which is carried every year," the report thundered, "and which does not seem to have any effect, and that is that we must have a strong and well-planned advertising and public relations campaign and until these resources are made available to the Board, St. Lucia will never be in a position to improve its occupancy rates in its hotels or to be able to change from being a purely charter market to a more meaningful travel market. . . ."

J.McC.

Oil terminal

CONTINUED FROM PREVIOUS PAGE

zone has taken a long time to get off the ground, St. Lucian Government spokesmen seem confident that theirs will be rather more successful more quickly.

"Manufacturers are certain to prefer the lack of bureaucracy, absence of transport problems, extensive availability of storage space and other benefits which the Cul de Sac free zone will provide," contends Mr. George Mallet, Minister of Trade, Industry and Tourism. He foresees industries such as those engaged in assembling imported parts locally being especially attracted to the zone, if only for the convenience offered.

The free port is considered complementary to rather than competitive with the main general cargo port of Castries, which has grown rapidly but now has little further room for expansion, other than through the expensive reclamation of land.

The Government has poured considerable sums of money by St. Lucian standards into the Castries port and by the time the re-development programme is over in, it is hoped, the third quarter of this year, will have spent well over EC$20m.

For this, Castries port will be provided with two new berths to accommodate vessels up to 800 feet with a 38-foot draft, one roll-on roll-off ramp, a new transit shed with 40,000 square feet of space including cold storage facilities, a container park with room for 500 containers using the laneway system or 1,000 employing the block storage method, space for storing 200 reefer containers, a new 6,000 square foot administrative building for the Port Authority and improved cargo handling equipment.

The improvement programme has not all been plain sailing; quite the reverse in fact, which is why the final bill is as high as it is.

The upgrading should have been completed over four years ago but the contractor, Concreto Centrifugado of Caracas, experienced a series of setbacks in almost all aspects of the job, from the actual production of the concrete piles in a factory in Venezuela to the transportation of them to St. Lucia, and the piling of them into the sea bed once they had arrived on site.

Government Ministers, including Prime Minister Compton, have openly expressed their dissatisfaction with the way the work has been carried out. Mr. Clendon Mason, the Minister of Communications, Works and Labour and directly responsible for the project, notes drily that "the Venezuelan Government was looking towards this job as a sort of 'showpiece' for its efforts to win friends in the Eastern Caribbean but we feel let down by the failure of the contractors."

Not everyone connected with the port is necessarily upset over the inordinate delay, however. Jukka Nieminen, a Finnish national recruited by the United Nations to be the Port Authority's general manager, claims the breathing space he has been given to put the Authority's administrative house in order was very welcome indeed.

"If the port had been ready two years ago, we would not have been equipped to handle the increased demands," he notes. "As it is, we have had time to improve administrative structures, engage in extensive training and rationalise our cargo-handling systems. This has put us in a position to make the most of the new physical facilities."

Mr. Nieminen is convinced that Castries port is now as good as any in CARICOM and well able to compete with rivals in the bigger territories, such as the ports of Bridgetown and Port of Spain. Indeed, Castries will be going after the burgeoning transhipment trade in CARICOM and intends to attract such traffic away from both those places.

It will have a number of advantages in its favour, chief among them being high labour productivity and generally stable industrial relations (although the president of the St. Lucia Seamen and Waterfront Workers Union, Peter Josie, is an Opposition St. Lucia Labour Party member of the House of Assembly).

The handling cost per tonne for cargo passing through Castries has fluctuated only slightly over the past two years and is at least 50 per cent less than comparable costs in Barbados and Trinidad.

According to Mr. Nieminen, at least four overseas lines—Columbus (Germany), Saguenay (Canada) and Atlantic and Tropical (U.S.A.)—are considering using Castries as a transhipment point for Trinidad-bound cargo and Sea-Land of Puerto Rico may do the same for cargo destined for Guyana. With this in view, it comes as no surprise that he confidently forecasts a 200 per cent increase in container movements in Port Castries for 1979, rising to 24,000 from last year's 8,000.

D.R.

WORLD STOCK MARKETS

Modest fresh early improvement on Wall St.

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—89½% (89⅝%)

Effective $2.0075 46% (46⅛%)

THERE WAS a modest follow-through yesterday morning on Wall Street to Tuesday's late advance.

The Dow Jones Industrial Average, up 7.54 the previous day, improved 3.46 more to 838.01

Closing prices and market reports were not available for this edition.

at 1 pm. The NYSE All Common Index added 6 cents at $55.80, while gains outscored losses by about a six-to-five ratio. Trading was moderately active, with 17.80m shares changing hands, compared with Tuesday's small 1 pm volume of 14.15m.

Analysts said traders were encouraged by the market's performance late on Tuesday, when it rallied following a report of good fourth-quarter profits by Eastman Kodak.

They added that investors were also heartened by comments by Federal Reserve chairman Miller that he will aim for 1.5 to 4.5 per cent growth in the basic money supply during 1979, against the 2 to 6 per cent earlier target.

One analyst cited renewed foreign interest in U.S. shares, particularly energy stocks, because of recent dollar stability.

Active Eastman Kodak was hit by profit-taking and slipped ½ to $62½, after rising 2⅝ on Tuesday.

Rosario Resources was $1 up at $24½, after touching a new high of $25. It has announced an upward revision of reserve estimates for its Alamo Petroleum unit, and has also benefited from higher silver and gold prices.

Energy-related stocks continued to strengthen apart from Coal issues, which were the subject of a Press report. Exxon added ½ to $51½, Mobil ½ to $72½ and Standard Oil of Indiana ⅜ to $56½.

Boeing declined ½ to $67½ despite receiving an order from Delta Airlines for 20 jet planes valued at $1.70bn. Delta put on ½ to $38½.

National Airlines rose 1⅜ to $40. Texas International Airlines, which holds 23 per cent of National, has proposed a merger through a $50 per share bid for National in cash or securities. Texas International hardened ½ to $12 in active American stock exchange trading.

THE AMERICAN SE Market Value Index advanced 0.58 to 163.93 at 1 pm. Volume 1.63m shares, the same as at 1 pm the previous day.

Volume leader Resorts International "A" added ⅜ to $37½, but the "B" shares lost 1⅜ to $28½. Athena Communications cut its holding in Resorts "A" shares to 390,000, or 3.5 per cent, by selling 210,000 shares in the open market recently.

Canada

Markets continued to move ahead in active early trading. The Toronto Composite Index was 4.9 higher at 1,399.3 at midday, while Metals and Minerals rose 7.7 to 1,281.4, Golds 4.1 to 1,612.2, Oils and Gas 3.4 to 2,013.3, Banks, 0.75 to 312.62 and Papers 0.78 to 157.60.

Genstar rose ⅜ to C$39 before being halted about mid-day for news that company directors have approved a two-for-one stock split.

Alt-Cao "B" jumped 1⅜ to C$8⅜ on resuming trading at the opening yesterday. The Ontario Securities Commission issued a cease-trading order last week pending clarification of a take-over bid by controlling shareholders.

Tokyo

Stocks again displayed an easier tendency after moderate trading, with the Nikkei-Dow Jones Average losing 18.74 to 6,097.37. Volume 220m shares (240m).

Energy industry-related issues, such as Teikoku Oil and Nippon Oil, declined, while Shippings and Textiles also lost ground.

Pharmaceuticals and Precision Machinery Manufacturers, which moved higher in the previous session, mostly receded.

On the other hand, Light Electricals and Cameras were inclined to improve.

Tor Nenryo fell Y18 to Y566. Mitsubishi Metal Y3 to Y123, Shinetsu Chemical Y5 to Y253 and Japan Line Y3 to Y126.

Pioneer Electronic, up Y60 at Y2,160, Victor Japan, Nippon Kogaku and Ricoh gained ground on anticipated better business prospects.

Germany

After opening higher, share prices came back to finish on a mixed note, with dealers stating that the market was showing some nervousness about the China-Vietnam border fighting. The Commerzbank index, however, was still 2.5 up on the day at 798.2.

Mixed price movements were evident in most leading sectors. Among Machine Manufacturers, Babcock stood out with an advance of DM 5.80, but Linde lost DM 0.50.

Among Steels, Thyssen gained DM 6.25 and Thyssen Industries climbed DM 3.10, but Kloeckner eased DM 1.55.

The Bank leaders closed weaker, with Deutsche Bank losing DM 2.50, Commerzbank DM 1.00 and Dresdner Bank DM 0.55.

In Motors, BMW and Daimler were each up DM 1.00, but Volkswagen declined that amount. Brown Boveri improved DM 2.00 among Electricals. In Stores, Horten rose DM 2.00 but Karstadt fell DM 2.50.

On the Domestic Bond market, the Finance Ministry's decision to raise yields on five- and 10-year Schuldscheine caused consternation and led to Public Authority issues being marked down as much as 90 pfennigs.

The Bundesbank bought DM 217.8m of paper in Frankfurt, with smaller purchases on other Bourses, after buying DM 11.5m in Frankfurt on Tuesday. Mark Foreign Loans were easier.

Paris

Shares on the Paris Bourse also retreated from a firm opening in a moderate business.

Market observers said the turnround was partly due to reports of renewed fighting between Vietnamese and Chinese forces, as well as to a 48-hour strike called in the French banking sector for Wednesday and Thursday.

Portfolios and Electricals were mainly higher, while Banks, Mechanicals, Stores and Oils were mixed, but declines predominated in other sectors at the close.

Leading declining issues were Sena and Lyonnaise des Eaux, both of which lost 8 per cent. Also substantially lower were St. Louis, Ferodo, Bouygues, Kleber, Generale de Fonderie, PLM, CEM, Metallurgique Navale Dunkerque, Lefebvre and Imetal, the last mentioned after an announcement by its subsidiary Le Nickel that it will make a loss of around FFr 600m for 1978.

Gaining against the general trend were Credit du Nord, Credit Foncier, Immobilier, Alsacienne, Sereg, Poclain, Prenatal, Alsthom, Francaise de Raffinage, La Redoute and Maritime des Chargeurs Reunis.

Australia

Markets put on another mixed performance yesterday.

The Mining sector was generally subdued in the wake of an easing in prices on the London Metal Exchange overnight. MIM could only manage a gain of 2 cents to A$3.22 on news that it had lifted its domestic copper price to A$1,700 a metric ton, its highest price since 1974.

Western Mining added 3 cents at A$2.11 in heavy trading, but CRA retreated 7 cents more to A$3.55.

Attention switched mainly to special situations in response to some strong earnings results and take-over talk.

Union Carbide advanced 17 cents to A$1.95 on the strength of a 25 per cent increase in annual earnings, while Santos rose 10 cents to A$2.10 in Oils in response to doubled profits for the year. Westfield Properties gained 10 cents to A$9.70, benefiting from a good interim report.

The liveliest stock on the Industrial posts was W. R. Carpenter, which had around 800,000 shares traded in Sydney and Melbourne at prices of up to A$1.91 on take-over talk. It eventually closed at A$1.80 for a net 12 cents gain with the bidder, if there is one, yet to show his hand.

Some of the Oils firmed on news that Esso/BHP expect to have the Sedco deep drilling rig on site on the Exmouth Plateau by February 27. BHP, however, strong of late on the excellent half-time statement, shed 15 cents to A$10.45 on profit-taking.

Hong Kong

After Tuesday's recovery, the market reverted to a downward course yesterday in quiet trading. The Hang Seng index reacted 6.47 to 514.99.

Hong Kong Bank shed 30 cents to HK17.90, Swire Pacific "A" 20 cents to HK$7.80, Hong Kong Land 15 cents to HK$7.65 and Jardine Matheson 10 cents to HK$11.50.

Hutchison Whampoa receded 7.5 cents to HK$4.05, Wheelock "A" 5 cents to HK$2.85 and Cheung Kong 15 cents to HK$9.50.

Johannesburg

Golds were generally marginally firmer in a moderate trade following higher Bullion indications.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
♦ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. ‡ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

NEW YORK

Stock	Feb. 20	Feb. 16	Stock	Feb. 20	Feb. 16	Stock	Feb. 20	Feb. 16	Stock	Feb. 20	Feb. 16	Stock	Feb. 20	Feb. 10
Abbott Labs	31¼	31	Corning Glass	54¼	54	Johns Manville	23¼	23	Revlon	49¾	49⅞	Woolworth	20½	20¼
AM International	16	12⅞	CPC Int'national	51	56¾	Johnson Johnson	71⅝	71	Reynolds Metals	36¼	35½	Wyly	4½	4½
Adobe Oil & Gas	28½	21⅛	Crane	30	30	Johnson Control	28¾	28¾	Reynolds R.J.	56¾	56½	Xerox	56⅞	56⅜
Aetna Life & Cas.	40⅝	40	Crocker	27½	27⅜	Joy Manufacturing	30¾	30¾	Rich'son Merrell	23⅝	93	Zapata	14⅛	14⅝
Air products	25⅞	25½	Crown Zellerb'h	34½	33⅞	K. Mart Corp	23⅞	24	Rockwell Inter	37¼	37	Zenith Radio	14⅛	13¾
Alcan Aluminium	36½	39¼	Cummins Engine	35¼	35½	Kaiser Alumini'm	19¼	19	Rohm & Haas	36½	36¼	U.S. Treas.4% '80	195	195
Alcoa	52½	52	Curtiss Wright	14½	14⅝	Kaiser Industries	2¼	2⅝	Royal Dutch	63¾	65	USTreas4¼%75/85	178⅝	178⅝
[illegible]			Dana	28¾	29	Kaiser Steel	25	25	RTE	10¾	11	U.S. 90-day bills	9.38%	9.96%
						Kaneb Services	15⅝	15⅝	Ross Togs	10⅛	16⅛			
						Key	15	14⅝	[illegible]					

[illegible]

CANADA

[illegible]

Indices

NEW YORK—DOW JONES

	Feb. 20	Feb. 16	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
● Industr'ls	834.55	827.01	829.89	829.75	838.21	824.84	907.74	742.12	1051.70	41.22
H'me B'nds	85.84	85.18	85.28	85.21	85.20	85.29	90.88	84.79	—	
Transport	213.19	211.77	212.02	213.62	212.50	205.21	261.48	199.31	279.88	12.23
Utilities	104.57	104.36	104.89	104.06	103.73	103.38	110.98	97.73	163.32	10.58
Trading vol 000's	21,990	21,110	22,830	27,360	24,520	20,830	—	—	—	—

● Day's high 830.19 low 824.16

	Feb. 16	Feb. 9	Feb. 2	Year ago (approx.)
Ind. div. yield %	5.91	5.95	5.83	6.13

STANDARD AND POORS

	Feb. 20	Feb. 16	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
‡Indust'ls	110.90	110.08	110.66	110.22	110.46	109.50	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	99.42	98.67	98.73	98.87	98.86	98.20	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Feb. 14	Feb. 7	Jan. 31	Year ago (approx.)
Ind. div. yield %	5.07	5.18	4.99	5.33
Ind. P E Ratio	8.98	8.60	9.05	8.67
Long Gov. Bond Yield	8.98	8.98	8.84	8.95

N.Y.S.E. ALL COMMON

Feb. 20	Feb. 16	Feb. 15	Feb. 14	1978-79 High	1978-79 Low
55.74	55.37	55.38	55.42	60.38 (11/9)	48.67 (6/3)

Rises and Falls

	Feb. 20	Feb. 16	Feb. 15
Issues Traded	1,849	1,772	1,840
Rises	878	696	690
Falls	546	608	803
Unchanged	431	468	447
New Highs	31	24	12
New Lows	12	15	11

MONTREAL

	Feb. 20	Feb. 18	Feb. 16	Feb. 15	1978-79 High	1978-79 Low
Industrial	255.94	252.78	252.45	252.88	255.94 (20/2/79)	182.90
Combined	237.87	233.99	235.10	236.05	237.87 (20/2/79)	170.82 (10/1)
TORONTO Composite	1394.4	1384.7	1385.4	1381.5	1394.4 (20/2/79)	998.2 (30/1)
JOHANNESBURG Gold	(u)	285.6	283.7	282.8	290.7 (7/2/79)	186.9
Industrial	(u)	307.2	307.9	308.8	309.3 (15/2/79)	194.9 (15/3)

	Feb. 21	Previous	1978-9 High	1978-9 Low		Feb. 21	Previous	1978-9 High	1978-9 Low
Australia (*)	583.51	583.61	888.46 (9/2/79)	411.18 (1/3)	Spain (d)	—	87.06	102.22	83.06
Belgium (§)	105.51	105.21	105.36 (17/2/79)	90.45 (23/6)	Sweden (e)	381.58	386.55	[illegible]	[illegible]
Denmark (**)	95.66	95.34	97.90 (14/3)	88.08 (30/10)	Switzerld (f)	321.6	321.6	[illegible]	[illegible]
France (††)	72.6	72.5	83.0 (4/10)	47.8 (6/2)					
Germany (‡‡)	795.2	795.7	854.6 (18/10)	760.4 (11/8)					
Holland (§§)	81.8	81.4	93.1 (11/8)	76.0 (4/4)					
Hong Kong (¶¶)	514.99	521.46	707.70 (4/9)	383.4 (13/4)					
Italy (‡‡)	74.10	73.62	82.25 (26/9)	65.46 (10/1)					
Japan (e)	451.15	451.35	452.97 (31/1/79)	364.04 (4/1)					
Singapore (b)	353.72	366.12	414.50 (8/9)	282.0 (9/1)					

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
UAL	372,500	27¼	+1¾
Engelhard	216,200	35¼	+1⅛
Occidental Pet.	187,600	19⅝	—
Squibb	184,500	34⅛	+1
Eastman Kodak	171,000	62⅞	+2⅝
Texaco	168,500	24⅞	+¼
Gen. Tel. & El.	168,300	25⅞	—
Sears Roebuck	167,700	20⅛	+¼
Phillips Pet.	161,510	33⅞	—
Amer. Tel. & Tel.	161,400	64	+½

GERMANY ◆

Feb. 21	Price DM.	+ or —	Div. %	Yld. %
AEG	67.8	−6.1	—	—
Allianz Versich.	477	−3	31.2	3.3
BMW	227	−1	28.12	6.2
BASF	133.6	−0.5	18.76	7.0
Bayer	135.8	−1	18.75	6.9
Bayer.Hypo	277	−1	28.12	5.1
Bay. Vereinsbk.	285	−1.5	28.12	5.0
Commerzbank	206.5	−1	26.56	0.4
Conti Gummi	68.8	−0.5	—	—
[illegible]				

TOKYO ¶

Feb. 21	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	350		14	2.0
Canon	515	+1	12	1.2
Casio	860	+11	25	1.4
Chinon	369		20	2.7
Dai Nippon Print	635	−2	18	1.7
Fuji Photo	665	+5	15	1.1
Hitachi	263	−1	12	2.3
Honda Motors	482	−2	18	1.8
House Food	982	−3	35	1.8
C. Itoh	355		15	2.3
[illegible]				

AUSTRALIA

Feb. 21	Aust. $	+ or —
ACMIL (25 cents)	†0.72	
Acrow Australia	†1.53	
AMATIL $1	†2.26	+0.01
Ampol Exploration	†1.44	+0.04
Ampol Petroleum	†0.77	
Assoc. Minerals	†1.75	+0.05
Assoc. Pulp Paper $1	†2.35	−0.05
Assoc.Con.Industries	†1.82	+0.02
A.N.I.	†1.75	
[illegible]		

STOCKHOLM

Feb. 21	Price Kronor	+ or —	Div. Kr.	Yld. %
AGA AB (Kr. 40)	155	−1	5	3.1
Alfa Laval (Kr.50)	138		5	3.6
ASEA (Kr.50)	76.5	−0.5	5	5.6
AtlasCo'co Kr25	110		7	6.4
Billerud	80	−3		
Bofors	136		4	2.9
Cardo	187	−1	5.75	3.1
Cellulosa	249	−1	10	4.0
Elec'lux'B'Kr50	109	−1	5.25	4.9
Ericsson B (Kr50)	137		5	4.5
[illegible]				

OSLO

[illegible]

JOHANNESBURG

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

AMSTERDAM

[illegible]

SWITZERLAND ♦

[illegible]

COPENHAGEN ♣

[illegible]

MILAN

[illegible]

VIENNA

[illegible]

PARIS

[illegible]

BRAZIL

[illegible]

SPAIN ♥

[illegible]

Financial Rand U.S.$0.681 (Discount of 41.7%)

BASE LENDING RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS 905

Sugar price slips after early rise

By Our Commodities Staff

WORLD SUGAR prices climbed to their highest levels since last October yesterday morning after reports of a high-priced purchase of 15,000 tonnes of Dominican sugar by a U.S. trade house.

The London daily raws price was fixed at £108 a tonne, bringing the rise in the past week to £10—and on the futures market nearby positions rose as much as £2.55 a tonne.

But the upward trend ran out of steam in the afternoon and the May futures price ended the day only £0.25 higher at £112.8 a tonne.

In Brussels the EEC Commission authorised the export of 54,500 tonnes of white sugar compared with 59,750 tonnes last week but no export authorisations were granted for raws. Maximum export rebate for whites was cut to 24.783 units of account from 25.479 UA last week.

Indian jute crop record

By K. K. Sharma in New Delhi

PRODUCTION of raw jute in India reached a record 8.45m bales (180 kilos each) in the 1978-79 season.

According to the Agriculture Ministry, the combined production of jute and mesta in 1978-79 is expected to total 8.1m bales, the highest level since 1962-63.

The state-controlled Jute Corporation fears that raw jute price will fall sharply in view of the bumper crop and low consumption by mills now on strike. In any case, they cannot use more than 6.2m bales of jute and mesta.

Cut in Japan wool spinning plant urged

TOKYO — The Japanese Textile Industry Council, a Government advisory body, said it has worked out a plan to reduce Japan's annual worsted yarn and mixed worsted yarn production capacity by 11.5 per cent to 141,200 tones by September 1.

The plan, submitted to the International Trade and Industry Ministry involves scrapping or freezing surplus facilities until mid-1983.

Reuter

Copper market surges to new peaks

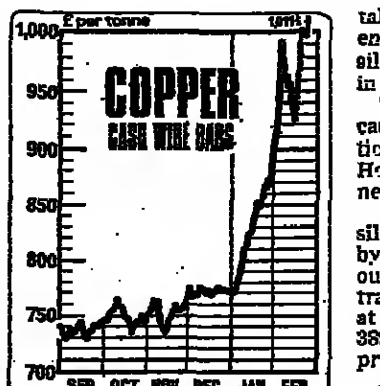
BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES surged to new peaks for the year—and the highest level since June 1974—on the London Metal Exchange yesterday. Cash wirebars rose by £16.5 to £1,011.5 a tonne.

The rise was attributed to continued nervousness about the Chinese-Vietnam conflict. But it was noticeable that tin, which could be more directly affected by the situation, moved lower for the second day in succession. Cash tin closed £60 down at £7,240 a tonne as a result of persistent selling.

More important in the copper market appears to have been the rise in New York and the decision by Asarco, the U.S. producer, to raise its domestic price once again—this time by a hefty three cents to a record 95 cents a lb. The $1 a lb target is, therefore, within sight if the market rise continues.

Asarco, which raised its price by 2 cents to 92 cents on Tuesday, appears to be more than willing to chase the market up,



but also to cut prices just as quickly. Other producers, still sticking by the producer price system, are adjusting prices more slowly. However several moved up to 92 cents yesterday.

The market remains highly nervous at the higher levels, with constant bursts of profit-taking sales. In fact the market ended on an easier note when silver prices suddenly dropped in New York.

The downturn was said to be caused by a sell recommendation by a leading Commission House after prices had reached new peaks in early trading.

In London the bullion market silver spot quotations was lifted by 7.15p to a record 390.85p an ounce. But values eased in later trading and the LME spot price at the afternoon close was 389.35p, only 4.65p up on the previous close.

Aluminium and zinc followed the upward trend in copper, but lead showed little change and tin was lower following the fall in the Penang market overnight and an easing in the nearby supply situation.

A forward market in Krugerrands, that enables buyers to purchase the gold coins on a 10 per cent margin, was announced yesterday by Rayner-Harwill, part of the J. H. Rayner group.

Commodities fund battle looms

BY BRIJ KHINDARIA IN GENEVA

WESTERN WORLD negotiators can expect a tough battle in forthcoming talks here on the creation of a multi-million common fund designed to stabilise markets for at least 10 "core" commodities which provide large incomes for developing countries.

The decision to take a hardline stand on the fund's size was taken at a major conference of about 117 developing countries at Arusha, Tanzania.

The developing nations, which act together as the group of 77 in the common fund negotiations, have decided that each of them will pay at least $1m into the planned fund provided that each of the developed countries matches this figure.

The argument is that it is much more difficult for, say, Burundi, to contribute $1m than it is for countries like West Germany. The group of 77 commitment is therefore being seen as a spur to developed countries to give up their insistence on small national contributions to the fund.

Some of the richer countries have in the past said they would pay no more than $300,000 in direct contributions to the fund.

The fund would, however, not be limited to just the total of the contributions. Additional payments would be made by both developing and developed countries in line with their wealth, reflecting the principle of proportionality.

The size of such proportional payments may be decided by resort to a system similar to the one currently used by the UN to decide contributions towards its budget.

A further set of contributions would be made from surplus funds held by international commodity agreements which would be part of the integrated commodity programme currently being negotiated under auspices of the UN Conference on Trade and Development (UNCTAD).

The exact size of the likely common fund is still a subject of speculation but the Arusha decisions indicate that the developing countries are aiming for at least $300m plus funds on call and in the coffers of the various commodity agreements.

Cartel strategy urged

BY OUR COMMODITIES STAFF

THIRD WORLD producers of rubber, tin and palm oil should form cartels to boost the prices received for their commodities, Tun Tan Siew Sin, chairman of Sime Darby Holdings, urged in Manila yesterday.

He told an ASEAN Business Council meeting that this strategy would be simpler, cheaper and more effective than the integrated commodity programme sponsored by Unctad.

"ASEAN presently accounts for 80 per cent of the world's production of natural rubber, 62 per cent of its tin, 60 per cent of its palm oil and nearly two thirds of its copra," Siew Sin said. "We should regard this as a position of strength."

The ASEAN countries should do for their primary commodities what OPEC has done for oil, he argued. "So long as we fix realistic prices, and do not ask for the moon, we can make this scheme work."

Court rules in favour of milk tax

By Margaret Van Hattem in Brussels

THE EUROPEAN Court of Justice yesterday ruled that the EEC tax on milk production, introduced in 1977, is compatible with the Treaty of Rome and does not discriminate against strong-currency countries.

The ruling, which follows the summing-up of the Advocate-General three weeks ago, clears the way for the EEC Commission to proceed with proposals to introduce a much tougher version of the tax in this year's farm price review.

A negative ruling by the court could have wrecked the Commission's strategy for dealing with the current milk surplus, possibly the biggest single problem facing the Community's farm sector.

The new version of the so-called "co-responsibility levy," as proposed by the Commission, would cut producers' returns from milk by an estimated 10 per cent over the next year.

The case was referred to the Court of Justice by a court in Hamburg, following charges by a German farmer that the levy had no legal basis.

Further, he claimed that since the levy was calculated in green currency rather than at foreign exchange rates, producers in strong-currency countries such as Germany were paying more than their fair share of the tax, while those in weak-currency countries such as Britain were paying less than their share.

Although the sum paid by the farmer in question was only £10, the Hamburg court pinpointed out that this was a test case and that it faced a spate of similar cases from most of Germany's 500,000 farmers if the levy were found to be illegal.

W. Germany raises imports of tapioca

HAMBURG—West Germany imported more than 1.5m tonnes of tapioca products in 1978, and re-exported 250,000 tonnes.

About 150,000 tonnes were sold as replacement pellets, mainly to the UK while around 1.25m tonnes of tapioca products were converted into fodder in West Germany.

SOUTH-EAST ASIA

Rice harvest success depresses prices

BY PHILIP BOWRING IN BANGKOK

WITH THE main South-East Asian rice harvest in, it seems likely that there will be at least as much supply and rather less demand in world rice trade in 1979 than last year.

As a result, trade sources in Bangkok expect rice prices to weaken further in the short term. The Bangkok fob price of Thai 5 per cent milled rice is now around $300 a ton compared with a 12-month peak in mid-1978 of around $400. The UN Food and Agriculture Organisation estimates world production of rice in calendar 1978 at 376m tons. Though this is only 4m tons, or 1 per cent, more than in 1977, and so less than the expected increase in rice consumption, there are two reasons for expecting a softening in prices. Firstly, 1977 was a very good year for rice production allowing major consumers to build up their stockpiles.

With stock needs met, or storage facilities filled, there is now less pressure for further stockpiling. Secondly, the demands of several big importers who mostly buy rice for cash in world markets are likely to be reduced.

In India, rice production in 1978 is estimated to be about 500,000 tons less than 1977's record of 79.1m tons, which was 25 per cent up on the previous year. But with its granaries full India is aiming to export 500,000 tons in 1979 compared with about 100,000 last year.

India is not a traditional rice exporter. Meanwhile, another newcomer to the export market is the Philippines, which, after a further 3 per cent rise in output last year to an estimated 7.1m tons, is expected to have about 200,000 tons available for export. In the past, the Philippines has more often than not been an importer.

Thailand's export availability is likely to be about the same as last year. Production is up about 3.5 per cent to 15m tons. Although that is slightly above the domestic consumption growth rate, market sources say there may have been some rundown of stocks last year which would constrain exports in 1979.

China, according to FAO estimates, increased rice 2.3 per cent last year to 134.5m tons. What effect if any this will have on export availability is unclear.

Of significant exporters, the only one to suffer a production setback in 1978 was Burma, where output is estimated down 1.7 per cent to 7.1m tons.

Major importers are thought likely to reduce their purchases. The largest of all is Indonesia. In 1978 it imported a record 2.8m tons. But a much-improved 1978 harvest is expected to reduce imports in 1979 to well below 2m tons.

Last year, Malaysia made a big leap into the front ranks of the importers by buying about 500,000 tons to offset severe drought losses.

But Malaysian sources say that following favourable rains a good harvest is expected in Kedah, the main rice growing area, so imports are expected to return to more normal levels of 150,000 to 200,000 tons.

Trade sources say demand from the Middle East, a major importer in recent years, could suffer due to the political situation in Iran.

Some compensating demand increase could come from Brazil where drought has caused the Government to lift import restraints and allow imports of up to 100,000 tons.

A big potential buyer is Vietnam. According to the FAO, Vietnam's production last year fell 2.2 per cent to 11m tons. The Vietnamese government says it is facing a shortfall of 3m tons of grain. Many observers regard the Vietnamese claim as exaggerated and an attempt to solicit humanitarian aid from the West and Japan.

Though there is doubt that Vietnam is seriously food deficient, many potential donors are regarded as more likely to contribute wheat or coarse grains rather than rice, which is much more expensive.

Sources say that, one way or another, Vietnam will be a substantial rice importer in 1979 but estimates are difficult.

Following its installation of the Heng Samrin Government in Cambodia, Vietnam will now be able to draw on that country's surplus. The size of that surplus is not known but is believed to be increasing.

Chinese wheat-buying team in Canada

WINNIPEG—Details of a new long-term wheat sales agreement with China are expected to be discussed at meetings here this week between Chinese officials and the Canadian Wheat Board, reports AP-Dow Jones.

A delegation representing China National Cereals, Oil and Foodstuffs Incorporated, which arrived in Canada on Tuesday, began talks with Board officials yesterday and these are expected to continue until tomorrow. The delegation is expected to meet in Ottawa on Monday with federal officials including Mr. Otto Lang, the Transport Minister, who is also in charge of the Wheat Board.

The visit of the four-man group, headed by Chang Chen-Hua, director of the Central Chinese Grain Buying Agency, follows a trade mission led by Mr. Jack Horner, the Canadian Industry Minister, to China last month.

China has been one of Canada's biggest customers of wheat since 1961. Last year the Chinese took more than 3m tonnes in spite of serious transportation and handling problems which forced some sales to be deferred.

In Kuala Lumpur meanwhile an official of the UN Food and Agriculture Organisation (FAO) warned of serious problems in world agricultural trade in the months ahead, despite a record $189bn turnover last year.

Mr. D. L. Umali, the FAO regional representative, said the main problems were persisting instability of supplies, prices of tropical beverages and other commodities, burdensome surpluses of sugar and dairy products, and protectionism.

● A Sri Lankan Government delegation will leave for China on Sunday to negotiate the purchase of 80,000 tons of rice to be delivered later this year. The Food Ministry announced in Colombo yesterday.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Higher, again in active trading on the London Metal Exchange but below the day's top levels. Forward metal rose to £1,036 on the pre-market reflecting the overnight trend in New York which prompted fresh speculative buying. The market failed to hold this level, however, with profit-taking leaving the price at £1,025 on the morning kerb. In the afternoon a strong showing on Comex and news that Asarco had lifted its producer price to 95 cents saw forward metal rise afresh to £1,035 but a sharp fall in silver brought out heavy profit-taking in copper which depressed the price to £1,021 before a close of £1,026. Turnover 23,875 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	1009-1019	+19	1011-2	+10.5
3 months	1028.5-9	+21.5	1031-.0	+19.0
Settl'm'nt	1010	+19	—	.....
Cathodes				
Cash	1002.5	+17.5	1002.5-4.5	+19
3 months	1019.5-20	+19½	1022-4	+19.5
Settl'm'nt	1003	+17.5	—	.....
U.S. Smt.	—	.....	87-89	

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £1,011, 10.9, three months £1,034, 35, 34, 33, 32, 33, 34, 33, 32, 31, 30, 29, 28, 29, 30, 29.5, 29. Cathodes, cash £1,003, three months £1,021, 20. Kerb: Wirebars, three months £1,028, 27, 26, 27, 26, 26.5, 27, 27.5. Afternoon: Wirebars, three months £1,030, 29.5, 29, 30, 31, 32, 32.5, 32, 34, 33, 32.5, 32, 31.5. Kerb: Wirebars, three months £1,031, 30, 28.5, 28, 27, 26, 25, 23, 22, 25, 24, 25, 26, 27, 28, 28.5.

TIN—Down again following hedge selling and stop-loss selling in the morning and heavy U.S. selling in the afternoon which saw forward standard metal fall from £7,260 on the early pre-market down to £7,130 prior to a close on the late kerb of £7,150. Turnover 745 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7250-70	—80	7240-60	—65
3 months	7170-210	—55	7175-900	—42.5
Settlem't	7270	—80	—	.....
Standard				
Cash	7230-50	—87.5	7250-50	—80
3 months	7150-0	—65	7160-5	—45
Settlem't	7230	—80	—	.....
Straits. E.	‡$1898	—8	—	.....
New York	—	.....		.....

Morning: Standard, cash £7,230, three months £7,180, 80, 60, 50, 80, 50, 55, 60. Kerb: Standard, three months £7,170, 60. Afternoon: Standard, three months £7,200, 7,190, 80, 70, 60. High Grade, three months £7,180. Kerb: Standard, three months £7,160, 50, 40, 30, 40, 50.

LEAD—Barely changed on balance with the market moving in line with copper. Forward metal traded between £501 and £492 prior to closing at the latter on the late kerb. Turnover 4,725 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	518.5-9	+2.5	516-7	—f
3 months	497-.5	+4.75	496-.0	.....
Sett'ment	519	+2.5	—	.....
U.S. Spot.	—	.....	42.4	.....

Morning: Cash £519, 18.5, three months £500, 499, 96, 97, 97.5. Kerb: Three months £497, 97.5. Afternoon: Cash £515, 16, three months £497.5, 98, 97, 96.5. Kerb: Three months £492, 90, 91, 92, 93.

ZINC—Firmer in quiet trading and mainly reflecting the trend in copper and lead. Forward metal traded up to £423 on the early pre-market before easing back to close on the late kerb of £418. Turnover: 8,500 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	401.0-2	+1.25	406-8	+5.5
3 months	416.5-7	+2	420.5-1	+4.25
S'ment	402	+1	—	.....
Prim.west	—	.....	38.5-7.5	.....

Morning: Cash £403, 2, three months £420, 12, 12.5, 18, 17. Kerb: Three months £417. Afternoon: Three months £421, 20, 20.5, 20, 21. Kerb: Three months £420, 19, 18, 17, 15, 16, 17.

ALUMINIUM—Gained ground but finished below the day's highest levels. After rising to £753 in the morning following the strength of other metals and some buying against options forward metal eased back to close on the late kerb at £745.5. Turnover 4,675 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	747-8	+9	746-8	+8
3 months	748.5-9	+9.25	747.5-8.6	+7.0

Morning: Three months £750, 49, 48, 48, 49.5, 50, 51, 91.5, 51, 50, 49, 49.5, 48. Kerb: Three months £749, 48. Afternoon: Three months £749, 48.5, 49, 48. Kerb: Three months £745, 47, 46.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

LEGAL NOTICE

No. 003798 of 1978.

In the HIGH COURT OF JUSTICE Chancery Division.

Re. THE SABAH TIMBER COMPANY LIMITED and The Companies Act 1948.

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 29th day of January 1979 (inter alia) confirming the reduction of the capital of the above-named Company from £5,000,000 to £3,266,215.60 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above-named Act were registered by the Registrar of Companies on the 2nd day of February 1979.

Dated the 22nd day of February, 1979.

LINKLATERS & PAINES
Solicitors to the Company.

SILVER

Silver was fixed 7.15p an ounce higher for spot delivery on the London bullion market yesterday, at 390.85p. U.S. cent equivalents of the fixing levels were: Spot 785c, up 16.3c; three-month 804.4c, up 16c; six-month 819.2c, up 17.3c; and 12-month 843.8c, up 17.4c.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	390.85p	+7.15	388.20p	[illegible]
3 months	402.90p	+7.15	401.20p	[illegible]
6 months	411.95p	+7.55	—	
12 months	428.95p	+7.55	—	

LME—Turnover 477 (196) lots of 10,000 ozs. Morning: Three months 403.5, 403, 2.8, 403, 2.6, 2.5, 2.7, 2.9, 403. Kerbs: Three months 403, 2.9. Afternoon: Three months 403, 2, 2.5, 2, 1, 1.5, 1.3, 1, 400.5, 400, 400.2, 400, 400.2, 402, 1.8, 1.7, 1.6. Kerbs: Three months 400.5, 400, 399.5, 9.3, 9, 8, 6, 5, 5.3, 6, 7, 7.6, 7.8, 7.5.

COCOA

During a featureless day cocoa futures continued to ease due to further Commission House liquidation to close £25 lower than last night's levels, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
March	1720.0-25.0	—15.5	1748.0-15.0
May	1758.0-59.0	—20.0	1779.0-02.0
July	1775.0-75.5	—26.75	1795.0-75.0
Sept.	1804.0-04.5	—29.75	1820.0-04.0
Dec.	1851.0-54.0	—24.5	1869.0-50.0
March	1876.0-80.0	—25.0	1882.0-75.0
May	1900.0-04.0	—25.5	—

Sales: 4,474 (4,377) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price February 19 162.18 (156.68). Indicator prices February 20 15-day average 157.02 (156.65). 22-day average 157.21 (157.59).

COFFEE

After opening slightly higher London coffee futures moved further ahead as possible producer support seemed evident early on when the recent price range was broken and new high ground was entered, reported Drexel Burnham Lambert. During a fairly active afternoon session values held steady throughout to finish £8 to £23 up.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1417-1419	+08.0	1430-1415
May	1359-1360	+17.5	1306-1350
July	1328-1329	+22.0	1335-1320
September	1296-1298	+25.0	1305-1298
November	1268-1270	+23.0	1276-1265
January	1257-1259	+20.0	1240-1250
March	1215-1218	+14.0	1216

Sales: 5,497 (3,959) lots of 5 tonnes.

ICO Indicator prices for Feb. 20 (U.S. cents per pound): Colombian Mild Arabicas 129.00 (127.00); unwashed Arabicas 127.00 (same); other mild Arabicas 121.33 (120.17). Robustas ICA 1976 131.50 (same); Robustas ICA 1968 132.00 (same). Daily average 128.13 (128.37).

GRAINS

LONDON FUTURES (GAFTA)—After opening lower both old crops improved substantially on shipper buying and short covering, finishing the morning session around the day's highs. The afternoon saw some profit-taking and hedge selling but the market still showed reasonable gains, 35p up on old crop wheat and 20p/55p up on old crop barley. New crops ended the day unchanged to 20p down with most trade on a switch basis, reports Acli.

	WHEAT		BARLEY	
M'nth	Yesterday's close	+ or —	Yesterday's close	+ or —
Mar.	93.95	+0.55	81.60	+0.55
May	87.70	+0.55	84.00	+0.20
Sept.	91.70	—0.10	85.00	—0.20
Nov.	95.20	—0.10	89.15	.....
Jan.	99.05	—0.05	93.80	—0.10

Business done—Wheat: March 94.15-93.40, May 98.00-97.20, Sept. 81.80-21.45, Nov. 95.30-95.00, Jan. 99.10-99.00. Sales: 295. Barley: March 91.80-20.80, May 84.20-93.35, Sept. 85.80-85.60, Nov. 88.15-88.90, Jan. 93.00-92.70. Sales: 360.

HGCA—Location ex farm spot prices. Feed Barley: Shropshire 89.60, Essex 89.40.

The UK monetary coefficient for the week beginning February 26 will remain unchanged.

EEC IMPORT LEVIES—The following levies and premiums are effective for February 22 in order of current levy plus March, April and May premiums (with previous in brackets), all in units of account per tonne. Common wheat: 84.97, nil, nil, 6.85 (85.89, nil, nil, 8.24); Durum wheat: 134.52, rest nil (134.52, rest nil); Rye: 84.65, nil, nil, 7.21 (85.46, nil, nil, 7.30); Barley: 93.96, rest nil (93.96, rest nil); [illegible]

RUBBER

HIGHER opening on the London physical market. Erratic throughout the day, closing slightly steadier. Lewis and Peat reported a Malaysian godown price of 248 cents a kilo (buyer, March).

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
[illegible]			

Sales: 327 (296) lots of 15 tonnes and 14 (3) at 5 tonnes.

Physical closing prices (buyers) were: Spot 59p (61p); March 61.25p (61.0); April 62p (61.75).

WOOL FUTURES

LONDON GREASY—Close (in order seller, buyer, business). [illegible] Sales: nil.

NEW ZEALAND CROSSBRED—Close (in order seller, buyer). March 190, 184; May 193, 190; July 195, 198; Oct. 198, 194; Dec. 196, 190; March 197, 191; May 199, 193; July 199, 193. Sales: nil.

SYDNEY GREASY—Close (in order buyer, seller, business, sales). Micron Contract: March 369.5, 370.0, 370.0-366.5, 232; May 381.5, 382.0, 381.5-379.0, 77; July 391.0, 392.0, 381.5-388.0, 73; Oct. 391.2, 392.0, 392.0-387.5, 137; Dec. 398.0, 397.0, 395.0-387.0, 107; March 398.0, 399.0, 399.5-391.0, 26; May 398.0, 399.0, 398.5-393.8, 37; July 398.5, 401.0, 400.0-394.0, 45. Sales: 734.

SOYABEAN MEAL

The market opened strong with gains of £2.00 on active speculative buying which was met by shipper hedge selling, reported T. G. Roddick. Having established contract highs, the market sold off late on profit-taking.

	Yesterday Close	+ or —	Business Done
	£ per tonne		
February	157.00-59.0	....	—
April	151.40-51.9	+1.0	52.30-51.50
June	152.70-52.8	+2.0	53.50-52.00
August	154.30-54.5	+2.7	54.00-54.00
October	152.00-55.0	+2.4	—
December	150.00-51.0	+2.0	50.00
February	129.00-52.5	+1.5	—

Sales: 251 (57) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £108.00 (£105.00) a tonne cif for Feb.-March shipment. White sugar daily price was fixed at £108.90 (same).

Reports that San Domingo had obtained $9.11 fobs for one cargo of prompt raws encouraged buyers and opening prices were around 100 points above kerb levels. Later, however, following the announcement of tenders by Bolivia and Jamaica prices fell back and all the gains were lost, reported C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	107.75-08.00	106.40-06.45	109.00-08.25
May	112.75-12.85	112.50-12.60	114.00-12.20
Aug.	118.60-18.65	116.60-16.70	117.85-16.25
Oct.	119.30-19.35	119.25-19.40	120.50-19.00
Dec	121.55-21.60	121.65-21.70	123.50-21.50
March	126.80-26.85	128.80-27.00	128.00-26.75
May	128.50-28.75	128.85-28.95	—

Sales: 4,017 (3,998) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £264.85 (same) a tonne for home trade and £173.00 (£172.00) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port)—Price for Feb. 20: Daily 8.50 (8.36); 15-day average 7.98 (7.91).

WHITE SUGAR—Close (in order buyer, seller, business, sales): April 109.75, 110.25, 110.50-09.75, 1,149; July 114.50, 114.90, 115.50-14.75, 397; Sept. 118.75, 120.00, nil, 1; Nov. 122.50, [illegible] Sales: 560.

COTTON

LIVERPOOL COTTON—Spot and shipment sales in Liverpool amounted to 349 tonnes, bringing the total for the week so far to 668 tonnes. Fair dealings were reported, with users tending to anticipate their requirements, as prices remained firm. Scattered orders were found in Central and South American types, with occasional support in African styles.

GRIMSBY FISH

Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£5.50, codlings £4.70-£5.20; large haddock £4.80-£5.20, medium £4.50-£5.00, small £3.60-£4.20; large skinned dogfish £12.00, medium £9.00; coley [illegible]

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on February 21. GB cattle 73.05p per kg lw (+0.71). UK sheep 152.0p per kg est dcw (+2.9). GB pigs 63.2p per kg lw (+2.5). England and Wales: Cattle numbers down 9.1 per cent, average price 74.10p (+0.71). Sheep numbers up 15.7 per cent, average price 152.5p (+2.9). Pig numbers up 45.2 per cent, average price 63.2p (+2.5). Scotland: Cattle numbers up 13.0 per cent, average price 70.48p (+0.17). Sheep numbers down 38.5 per cent, average price 158.0p (+1.41). Pig numbers up 5.8 per cent, average price 63.8p (+2.9).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 54.0 to 59.0. Eire hindquarters 62.0 to 65.0, forequarters 42.0 to 48.0.

Veal—English fats 70.0 to 78.0. Dutch hinds and ends 92.0 to 99.0.

Lamb—English small 58.0 to 64.0, medium 56.0 to 62.0, heavy 52.0 to 60.0; Scottish medium 56.0 to 62.0, heavy 52.0 to 60.0. Imported frozen—NZ PL new season 48.0 to 48.5, PM new season 49.0 to 49.0.

Pork—English, under 100 lb 39.5 to [illegible]

COVENT GARDEN—Prices in sterling per package except where otherwise stated. [illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

	Feb. 21 1979	+ or —	Month ago
Metals			
Aluminium	£710	....	£710
Free Mkt (cs)	$1,475/95	....	$1,270/80
Copper			
Cash w'bar	£1,011.5	+16.5	£861.5
3 mth	£1,031.25	+18.5	£879.75
Cash Cathode	£1,003.0	+18.0	£847.25
3 mth	£1,023	+18.6	£867
Gold troy oz	$250.575	+2.75	$256.875
Lead cash	£910.5	—1.0	£517.5
5 mth	£480.25	....	£482.75
Nickel	£2320.69	....	
Freemkt cif (lb)	$1.85 / 2.10	+0.025	$1.60 / 1.72
Platin'm tr'y oz	£154.9	....	£152
Free mkt	£210.95	+3.4	£190
Quicksilver	$220/30	....	$210/20
Silver troy oz	390.85p	+7.15	321.1p
5 months	402.90p	+7.15	328.55p
Tin cash	£7,240	—60.0	£6,875
3 mths	£7,162.5	—45.0	£6,825
Tungsten	$127.94	....	$144.29
Wolfrm 22.04 cif	$132/40	+4.0	$126/31
Zinc cash	£407	+0.5	£371
5 months	£420.75	+4.25	£383.5
Producers	$800	....	$760
Oils			
Coconut (Phil)	$1,000r	+10.0	$990
Groundnut	‡	....	‡
Linseed Crude	£425	+8.0	£358
Palm Malayan	$708w	+16.0	$640
Seeds			
Copra Philip	$680p	+5.0	$680
Soyabean (U.S.)	$313x	+12.55	$294
Grains			
Barley Futures	£94	+0.2	£89.85
Maize			
French No 3 Am	£109r	....	£110.5
Wheat			
No. 1 Red Spg.	‡	....	£87.25
No2 Hard Wint.	£90.25r	....	£93.5
Eng. Milling †	£90.5x	....	
Other commodities			
Cocoa ship't	£1,785	—16.0	£1,837
Future May	£1,758.5	—20.0	£1,786
Coffee Ft'r May	£1,559.0	+17.5	£1,567.5
Cotton 'A' Index	78.95c	....	70.75c
Rubber kilo	60p	+0.5	56.25p
Sugar (Raw)	£108	+3.0	£95
Wooltp's 64s kl	274p	....	268p

* Nominal. † New crop. ‡ Unquoted. p April-May. r Feb.-March. s March. v March-April. w April. x Per ton. z Indicator. § Buyer.

AMERICAN MARKETS

NEW YORK, Feb. 21.

Copper—Feb. 89.60 (89.60), March 89.60-89.70 (89.70), April 90.40, May 91.00-91.20, July 91.30-91.50, Sept. 91.55, Dec. 90.80, Jan. 90.80, March 90.65, May 90.50, July 90.35, Sept. 90.20, Dec. 90.00.

¶Silver—Feb. 785.30 (792.00), March 786.00 (784.00), April 790.80, May 795.50, July 804.30, Sept. 813.10, Dec. 825.60, Jan. 829.80, March 838.10, May 846.90, July 854.90, Sept. 863.30, Dec. 876.10. Handy Harman bullion spot 783.40 (782.50).

CHICAGO, Feb. 21.

Lard—Chicago loose 25.50 (25.25). New York prime steam 27.00 traded (same).

‡‡Maize—March 238¼-238½ (237¾), May 248¾-249¼ (248¾), July 255½-255¼, Sept. 258½, Dec. 263¼-263½, March 270½-270¾.

Plywood—March 212.1 (214.3), May 214.2 (217.2), July 215.1, Sept. 211.4, Nov. 209.2, Jan. 210.0 nom., March 210.0 nom.

Shell Eggs—Feb. 54.65 asked (54.75), April 50.75 (50.80), May 49.75-49.55, June 50.75, Sept. 58.20 asked, Dec. 59.25 bid. Sales: 123.

Silver—Feb. 854.5 (798.7), March 791.0 nom. (788.0), April 796.0-793.0, June 804.5-805.0, Aug. 813.5-814.0, Oct. 822.5, Dec. 829.0, Feb. 838.0, April 846.0, June 854.5, Aug. 863.5, Oct. 872.0, Dec. 881.0, Feb. 890.0, April 898.5, June 908.0, Aug. 928.0.

‡Soyabeans—March 763-761 (773), May 781-778½ (788½), July 789-788, Aug. 779, Sept. 731, Nov. 704-703, Jan. 712, March 721.

‖Soyabean Meal—March 201.40-201.00 (202.40), May 204.70-205.20 (205.80), July 207.90-206.20, Aug. 206.00-207.00, Sept. 201.50, Oct. 196.50, Dec. 196.00-196.50, Jan. 195.50-195.80, March 197.50-198.00.

Soyabean Oil—March 28.05-28.10 (28.57), May 28.35-28.30 (28.78), July 28.40-28.35, Aug. 27.90-27.65, Sept. 25.65, Oct. 25.25-25.30, Dec. 24.60-24.90, Jan. 24.75, March 24.65, May 24.55-24.65.

†Wheat—March 368¾-369 (358½), May 351-351 (341¼), July 329-328, Sept. 331, Dec. 342½, March 352.

WINNIPEG, Feb. 21. §Rye—May 109.20 (108.00 bid), July 107.50 (107.00 asked), Oct. 107.90 nom., Dec. 107.90 nom.

§Barley—March 80.90 (80.70), May 81.30-81.40 (81.20 bid), July 83.40 asked, Oct. 85.60 asked, Dec. 85.70 bid.

§Oats—March 86.20 bid (86.60 bid), May 83.90 (84.10 bid), July 83.90 bid, Oct. 84.50 asked, Dec. 83.50 asked.

§Flaxseed—May 376.70 bid (375.00 bid), July 369.20 bid (369.90 bid), Oct. 363.30 asked, Nov. 356.70 bid, Dec. 356.70 bid.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

Tuesday's closing prices

Cotton—No. 2: March 64.60-64.75 (64.93), May 67.34-67.40 (67.22), July 69.15-69.25, Oct. 66.98, Dec. 65.50-65.55, March 66.80-67.15, May 65.30-68.50, July 68.10 bid. Sales: 6,050.

Orange Juice—March 107.60 (111.25), May 109.25 (112.90), July 110.75, Sept. 111.75-112.00, Nov. 107.50-108.00, Jan. 104.50-104.60, March 104.85, May 105.35-105.50, July 105.35-105.50.

Potatoes (round whites)—March 59.3-58.4 (60.2), April 62.5-62.7 (63.5), May 72.1-72.3, Nov. 57.0-57.4, March 64.4-64.8, April 68.4-71.0 asked, May 80.1-80.5. Sales: 2,767.

Tin—680.00-715.00 nom. Spot 680.00-715.00 asked (674.00-715.00).

CHICAGO, Feb. 20.

Lard—Chicago loose 25.25. New York prime steam 27.00 traded.

Live Cattle—Feb. 66.80-66.50 (66.92), April 68.00-67.90 (67.92), June 69.00-98.80, Aug. 67.55-67.65, Oct. 65.92-65.97, Dec. 67.00-66.90, Jan. 67.50 bid, Feb. 68.55 bid, April 68.75 asked, June 70.00. Sales: 27,071.

Plywood—March 214.3 (215.4), May 217.0-217.4 (217.2), July 216.5-216.6, Sept. 213.5, Nov. 210.0, Jan. 210.0 nom., March 210.0 bid.

Pork Bellies—Feb. 69.10 (68.30), March 68.55-68.30 (67.80), May 69.60-69.40, July 69.70-69.55, Aug. 67.50-67.70 bid. Sales: 5,957.

Shell Eggs—Feb. 54.75 (54.95), April 50.80 asked (51.95), May 50.25, June nil, Sept. 55.00, Dec. 59.75. Sales 49.

WINNIPEG, Feb. 20. §Rye—May 108.00 bid (107.60 bid), July 107.00 asked (106.70 bid), Oct. 107.90 bid, Dec. 107.90 bid.

§Barley—March 80.70 (79.30), May 81.20 bid (80.00 asked), July 83.20 asked, Oct. 85.90 asked, Dec. 85.30 asked.

§Oats—86.60 bid (86.50), May 84.20 bid (83.90 bid), July 83.20 asked, Oct. 84.70 asked, Dec. 83.90 bid.

§Flaxseed—May 375.00 bid (365.00 bid), July 359.00 bid (359.90), Oct. 364.50 bid, Nov. 357.30 bid, Dec. 357.20 bid.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 189.53.

EUROPEAN MARKETS

ROTTERDAM, Feb. 21.

U.S. No. 2 Dark Hard Winter, 13.5 per cent, mid-Feb./mid-March $165. U.S. Hard Winter wheat ordinary not offered. U.S. No. 2 Red Winter wheat March $166, April $158, May $157. U.S. No. 2 Northern Spring wheat, 14 per cent, March $172, April/mid-May $147.50, April-May $146.50.

Maize—U.S. No. 3 Corn, Yellow, Feb. [illegible]

Soyabeans—U.S. No. 2 Yellow Gulfports [illegible] Argentina May $307, June-July $308.

Soyameal—44 per cent protein U.S. Feb.-March $241, Nov.-March $236 traded, All. $242, Feb.-March $242, April-Sept. $243, Nov.-March $237, sellers. Brazil pellets All. $250, March $249, April-Sept. $253, Oct.-Dec. $254.

PARIS, Feb. 21.

SUGAR (FFr per 100 kilos)—May [illegible] Commodity market coverage in France generally, also in sugar, cocoa, coffee, soyabean meal. [illegible]

INDICES

FINANCIAL TIMES

Feb. 20	Feb. 19	M'nth ago	Year ago
269.56	268.03	258.81	224.24

(Base: July 1, 1952=100)

MOODY'S

Feb. 20	Feb. 19	M'nth ago	Year ago
1043.3	[illegible]	994.7	898.7

(December 31, 1931=100)

DOW JONES

Dow Jones	Feb. 20	Feb. 19	Month ago	Year ago
Spot	382.58	[illegible]	370.30	340.58
F'tur's	391.58	[illegible]	372.52	329.12

(Average 1924-25-26=100)

REUTERS

Feb. 21	Feb. 20	M'nth ago	Year ago
1550.0	1546.0	1502.7	1389.9

(Base: September 18, 1931=100)

Attention focuses on Gilts and another impressive performance should ensure oversubscription of taps

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb. 12	Feb. 22	Feb. 23	Mar. 6
Feb. 26	Mar. 8	Mar. 9	Mar. 20
Mar. 12	Mar. 22	Mar. 23	Apr. 3

* "New time" dealings may take place from 9.30 am two business days earlier.

Attention in stock markets yesterday was again fixed on the Gilt-edged sector to gauge its performance ahead of today's application for the new Government tap stocks. Despite some fluctuation, quotations settled marginally firmer and were moving higher in trading after the official close; this was considered to be very impressive after the recent upsurge and was generally regarded as being sufficiently good to ensure over-subscription today of both the short-medium and long taps.

The day began with fresh overseas investment leading to further gains extending to ¼, but demand started to wane in the face of revived profit-taking intermingled with more fund-raising for the purpose of tap stock subscription. Shorter-dated maturities were heavily traded again and became volatile but were heading upwards again after the 3.30 pm close when they were showing rises on balance of ⅛.

Only the Variable coupon stocks settled easier, usually by ⅛, although the longs surrendered improvements of ⅛ and reverted to overnight list levels before picking up in the inter-office trade. High-coupon issues in the area of the new Treasury 13½ per cent 2000-03 tap eased a little on the view that they were expensive in relation to the new stock in which dealings are due to begin tomorrow along with those in Exchequer 13½ per cent 1987.

Equities followed in the wake of the funds and when the latter began to react from the best levels, leading industrials reflected a lack of substance in earlier demand by entering into a downdrift. ICI were a good example of the trend, an early rise of a couple of pence being replaced by a similar net fall at 369p; the company is due to announce its preliminary statement today.

Unlike the Gilt-edged sector, equities continued their reaction after the official close as concern revived about the China/Vietnam situation and the FT 30-share index, at 456.9, closed 3.4 down on balance after having been 1.3 up at 11 am. Official markings totalled 5,494 compared with Tuesday's 6,057.

The Investment currency Premium again traded within narrow limits after a quiet two-way institutional business and closed ½ up at 89¼ per cent. Yesterday's SE conversion factor was 0.6814 (0.6850).

Following Tuesday's record number of 1,352 deals, interest in th eTraded options market remained at a high level with 1,076 contracts completed. EMI were again active and recorded 175 trades, while other lively series included RTZ with 171 and BOC with 146.

Eagle Star better

Already a couple of pence firmer, Eagle Star improved further to finish 5 up at 135p on the announcement of the proposed reorganisation of the group. After announcing an average 10 per cent increase in Motor premiums, Royals edged forward 2 to 340p, while GRE, on the other hand, relinquished 6 to 210p.

Home banks took a modest turn for the better, but Barclays held at 382p awaiting today's preliminary results. Despite the preliminary results setback, Gillett Bros put on 5 to 230p among Discounts.

Belhaven attracted a fair amount of business in Breweries and closed a penny up at 41p, while, in Distilleries, Irish added 3 to 203p ahead of tomorrow's AGM; the proposed 100 per cent scrip issue due on Monday has been postponed because of the Irish postal dispute.

Leading Building issues displayed a slightly easier bias. London Brick eased 2 to 63p following an adverse broker's circular. Certain secondary issues made useful progress, chiefly on news items. M. P. Kent rose 6 to 46p on the £3.52 sale of an office block and Country-side Properties put on 2½ to 50½ following the chairman's cheerful statement at the annual general meeting. In a thin market, Craig and Rose gained 35 to 700p and further consideration of the annual results lifted Hardwick 3 for a two-day gain of 5 at 111p. Buyers were attracted to SGB and Ibstock Johnsen, up 6 to 185p and 162p respectively. Richards and Wallington were also wanted at 77p, up 3. By contrast, suggestions that the merger with either Shanks or Norcros could produce a Monopolies Commission referee left Johnson-Richards Tiles 2 cheaper at 124p.

ICI, a couple of pence better at one stage, drifted back in the absence of buyers and closed that much off at 369p; the preliminary results are due today.

Burton revive

Burton issues returned to prominence in Stores when a resurgence of speculative buying on a combination of enfranchisement and bid hopes prompted useful rises in all three classes; the Ordinary jumped 12 to 228p, the A 5 to 198p and the Warrants 3½ to 53p. Elsewhere, Ernest Jones (Jewellers) added 7 to 169p following second thoughts about the results but Vantona declined that much to 116 in reaction to comment on the annual performance.

Inclined harder at the start, the Electrical leaders drifted off and ended little altered on balance. Elsewhere, the trend was irregular. United Scientific encountered further selling following the chairman's statement and reacted 12 more to 242p, while Electronic Rentals, a particularly good market of late, reacted 6 to 172p. Farnell turned dull at 438p, down 7, and falls of 5 were marked against Ferranti, 383p, and Decca "A" 373p. By way of contrast, Kode encountered support at 174p, up 6, along with Unitech, 5 to the good at 187p.

Steady to firm at the start, Engineering leaders drifted off on scattered offerings and lack of support. GKN eased 6 to 226p and Tubes 4 to 346p, while Vickers closed 3 cheaper at 167p. Elsewhere, buyers came for Peter Brotherhood, up 9 at 102p, despite the sharp fall in the interim profits. Benjamin Priest firmed 3 to 77½p in response to an investment recommendation, but Brasway dipped 5 to 50p following the annual report. Fresh support lifted Matthew Hall 8 to 215p, while Mining Supplies were also wanted and improved 3 further to 138p. James Neill, a good market of late, encountered profit-taking and gave up 7 to 73p, but satisfactory preliminary results prompted a gain of 3 to 25p in Tace.

Business in leading Foods tailed off and prices drifted a shade easier. In secondary issues, buyers were interested in Barrow Milling which advanced 7 to 62p.

In Hotels and Caterers, De Vere encountered profit-taking in the absence of bid developments and dipped 8 to 236p, while a bid denial from the Kaye Brothers, holders of 11.6 per cent of the equity, left M. F. North 2 down at 34p.

Gripperrods please

After a firm start in sympathy with the fresh early advance by gilt-edged securities, miscellaneous Industrial leaders later drifted lower on the absence of follow-through support to close easier for choice. Glaxo ended 7 lower at 478p, after 486p, while Beecham closed 4 off at 621p, after 628p. Elsewhere, Gripperrods were notable for a rise of 9 to 59p, after 80p, on the better-than-expected interim results and Eleco improved 3 to 64½p, also after an impressive first-half profits performance. Speculative buying helped Wilkinson Match to advance 5 to 166p and Office and Electronic to rise 7 to 141p. Awaiting further news of the bid approach, Glass and Metal added 4 more to 119p and small demand in a thin market prompted an improvement of 5 to 37p in A. R. Findlay. Silentnight put on 6 to 90p and Toye hardened a penny to 91p; non-quoted J. B. Hayward has increased its shareholding in the latter to just over 15 per cent. Following their respective trading statements, Fitzwilton, 51p, and Berisfords, 65p, improved around a penny apiece, while gains of 4 and 5 respectively were seen in Associated Sprayers, 63, and Caplan Profile, 145p. European Ferries hardened a penny to 130½p; the price in yesterday's issue was incorrect. Reflecting the third-quarter profits standstill, Wedgwood softened 2 to 98p.

Management Agency and Music met profit-taking and lost 8 to 130p, but Barr and Wallace Arnold Trust A moved up 3 for a two-day rise of 9 to 124p.

Following the company's denial of any merger or takeover discussions, recently firm Associated Book Publishers reacted to 300p before late buying lifted the shares to a close of 311, down 7. In contrast, International Thomson rose 15 for a two-day gain of 27 to 357p. Fibreboard concern Acksons-Bourne End met profit-taking after recent firmness emanating from the offer from Rossminster and closed 12 down at 111p, still 11 above the offer price.

A predominance of buyers enabled Properties to take the recent advance a stage further. Haslemere attracted brisk attention and put on 6 to 262p, while Laing A and Allnatt London both added 5 to 129p and 249p respectively. Trafford Park Estates firmed 6 for a two-day rise of 12 to 139p and Bradford moved up 10 to 320p. Daejan, 115p, and United Real, 365p, advanced 4 and 3 respectively following favourable trading statements.

English Property were unchanged at 50p; the announcement that Olympia and York Developments had increased its stake in the company to over 11 per cent and put in a bid of 50p cash per share came well after the market's close.

Oils subdued

Oils passed a rather subdued trading session. British Petroleum held steady at 974p, but Shell drifted off to close 4 cheaper at 636p after touching 642p in the early dealings. Royal Dutch, up ⅛ at £46¼, reflected currency and premium influences. Lack of support and scattered offerings took secondary issues to lower levels.

Trusts were inclined harder, with Yeoman, 175p, and Pentland, 112p, improving 3 and a penny respectively following preliminary statements.

In the Shipping sector, revived demand prompted a gain of 7 to 182p in Milford Docks.

Carrington Viyella reported better-than-expected profits and firmed a fraction before finishing at the opening level of 33p. Elsewhere in quietly-traded Textiles, Textured Jersey rose 5 to 45p.

Strong London interest lifted Indonesian plantations. Anglo-Indonesian advanced 14 to a new 1978/79 high of 118p, while further speculative buying was good for a rise of 13 in London Sumatra, 285p, for a two-day gain of 23. Rightwise added 8 to 135p and Plantation Holdings firmed 5 to 76p.

Golds quietly firm

Trading in South African Golds remained at minimal levels with dealers awaiting the outcome of today's U.S. Treasury gold auction.

After being marked up at the outset, reflecting the strength of the bullion price—finally $2.80 higher at $250.125 per ounce—share prices remained static with the Gold Mines index 1.0 firmer at 180.5 and the ex-premium index unchanged at 125.0.

In contrast with Golds, South African Financials were fairly active. Anglo American Corporation rose 7 to a 1978-79 high of 381p, while De Beers gained a like amount to 456p.

Coals again reflected persistent Johannesburg buying interest with Transvaal Consolidated Land outstanding and ¼ up at 1978-79 high of £17½.

London-registered Financials were featured by Rio Tinto Zinc which advanced 9 to a 1978-79 peak of 290p reflecting the current strength of base-metal prices, notably copper. Selection Trust also attained a new high, closing 6 firmer at 528p.

Activity in Australians was at a lower level than earlier in the week with profit-taking setting in following an uncertain trend in overnight home markets. Pacific Copper, however, made further progress following renewed speculative buying to close 7 better at a new high of 109p. Diamond issues also moved ahead, with Jones Mining, 37p, and Otter Exploration, 35p, 3 and 4 higher respectively.

In Coppers Roan Consolidated Mines added 5 to 105p reflecting better December quarter results.

Tins gained further ground following continued Far Eastern buying. Killinghall put on 15 for a two-day gain of 60 to a high of 315p, while Sungei Besi rose 10 to 240p.

Mrs Thatcher visits Thames flood barrier

MRS. MARGARET THATCHER, the Conservative leader, visited the controversial Thames barrier project yesterday, accompanied by Mr. Horace Cutler, leader of the Greater London Council.

The barrier, which is four years behind schedule, is expected to be completed in December, 1982, as part of London's £580m flood defence scheme. The cost of the barrier has risen from £88m in December, 1973, to £240m last March and is expected to cost up to £350m on completion. Inflation, delays and low productivity are blamed for escalating costs.

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Feb. 6	Feb. 19	May 3	May 15
Feb. 20	Mar. 5	May 17	May 30
Mar. 6	Mar. 19	May 31	Jne. 12

For rate indications see end of Share Information Service

The option market remained active and calls were seen in Premier Oil, Spillers, Cons. Gold, P & O, Lamont, Associated Leisure, Caledonian Holdings, Hoover A, William Mowat, Selincourt, BL, Barker and Dobson, Burton Warrants, British Land, Talbex, Tricentrol, RTZ, Bath and Portland, Central and Sheerwood, George Whitehouse, Furness Withy, Renold, Dawnay Day, Woodhouse and Rixson, Cadburys, Lonrho and Tootal. A put was dealt in British Land, while doubles to be completed included Pacific Copper and Selincourt.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	18	8	58
Corpns., Dom. and Foreign Bonds	4	2	33
Industrials	339	234	952
Financial and Prop.	140	56	313
Oils	8	12	18
Plantations	14	2	16
Mines	60	21	58
Recent Issues	7	6	19
Totals	613	341	1,488

FINANCIAL TIMES STOCK INDICES

—	Feb. 21	Feb. 20	Feb. 19	Feb. 16	Feb. 15	Feb. 14	A year ago
Government Secs.	66.31	66.38	65.92	65.19	65.19	65.39	74.76
Fixed Interest	67.22	66.95	66.44	66.05	66.05	66.21	77.81
Industrial	456.9	460.3	460.3	455.3	450.6	457.4	449.9
Gold Mines	180.5	179.5	180.1	177.2	175.6	174.6	137.9
Gold Mines (Ex-$ pm)	125.0	125.0	123.7	121.1	120.3	118.9	116.8
Ord. Div. Yield	6.20	6.16	6.17	6.24	6.30	6.21	5.94
Earnings Y'ld % (full)	16.19	16.10	16.11	16.31	16.46	16.23	17.84
P/E Ratio (net) (*)	8.00	8.05	8.05	7.95	7.88	7.99	7.90
Dealings marked	5,494	6,057	4,253	3,726	4,474	4,952	6,337
Equity turnover £m.	—	82.99	65.32	60.26	66.74	84.66	58.93
Equity bargains total	—	16,078	14,173	11,558	13,110	16,177	12,644

10 am 460.2. 11 am 461.6. Noon 460.3. 1 pm 458.1. 2 pm 458.6. 3 pm 458.4.
Latest Index 01-246 8026.
* Nil=7.77.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex $ premium index started June 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978/9 High	1978/9 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	78.58 (5/1/78)	64.64 (8/2/78)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	65.77 (12/2/79)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9/78)	433.4 (2/3/78)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8/78)	194.1 (25/11/78)	442.3 (22/9/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm)	132.3 (14/8/78)	90.3 (18/4/78)	337.1 (3/4/74)	54.3 (25/6/76)

S.E. ACTIVITY

—	Feb. 21	Feb. 20
—Daily		
Gilt Edged	185.2	204.8
Industrials	173.9	189.1
Speculative	44.7	44.5
Totals	126.1	132.8
5-d'y Av'ge		
Gilt Edged	172.6	178.0
Industrials	142.0	144.8
Speculative	38.8	38.6
Totals	109.3	106.8

NEW HIGHS AND LOWS FOR 1978/9

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978-79.

NEW HIGHS (79)

CANADIANS (1)
Gulf Oil Canada

BEERS (1)
Irish Distillers

BUILDINGS (1)
Kent (M. P.)

STORES (5)
Burton Group, Do. A N-V, Lee Cooper, Helene of London 12pc Conv. Pref., Status Discount

ELECTRICALS (3)
Bulgin A, Electrocomponents, Kode Intl.

ENGINEERING (4)
Brown & Tawse, Mining Supplies, Redman Heenan, Utd. Engineering

FOODS (1)
Bluebird Conf.

HOTELS (1)
Stakis (Reo)

INDUSTRIALS (10)
Caplan Profile, Eleco, Gripperrods, Office & Elect., Riley (E. J.), Schlumberger, Securicor, Do. A N-V, Security Services, Do. A N-V

LEISURE (5)
Barr WAT A, Hawley Leisure, Horizons Midlands, Pleasurama, Samuelson Film

MOTORS (1)
Brown Bros.

NEWSPAPERS (4)
Ass. Book Pubs., Intl. Thomson, Independent, Do. Conv.

PAPER (2)
Olives Paper Mills, Watmoughs

PROPERTY (27)
Allied London, Bradford Props., British Land, Do. 12pc Conv. 2000-02, Brixton Estate, English Prop. 6½pc Conv., Estates & General, Ests. Prop. Inv., Great Portland Ests., Hammerson A, Jermyn Inv., Jermyn Inv., Laing Props. Inv., Land Investors, Land Secs., Do. 6½pc Conv. '93, Do. 6¾pc Conv. '85, Do. 10pc Conv. '88, Peachey, Prop. & Rev. A, Utd. Real Prop., Winston Estates

OVERSEAS TRADERS (1)
Borthwick

RUBBERS (5)
Anglo-Indonesian, Bertam Cons., Harrisons Malaysian, London Sumatra, [illegible]

TEAS (2)
Lawrie Plants., Lunuva

MINES (11)
Stilfontein, Anglo American, General Mining, Selection Trust, Transvaal Cons., U.C. Invest, Lydenburg Plat., Rustenburg Plat., Pacific Copper, Killinghall, RTZ

NEW LOWS (2)

ENGINEERING (1)
GKN

PAPER (1)
Bunzl Pulp

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978-79 high	1978-79 low
BP	£1	12	974	—	974	720
GEC	25p	11	326	+ 1	349	233
Shell Transport	25p	10	636	− 4	642	484
Sedgwick Forbes 'New'	Nil/pd.	9	2pm	− 1½	5½pm	2pm
BATs Defd.	25p	8	288	—	304	227
ICI	£1	8	369	− 2	421	328
British Land	25p	7	51½	+ ½	51½	28
Distillers	50p	7	211	+ 1	215	163
EMI	50p	7	126	− 2	190	124
English Property	50p	7	50	—	51	27
Lloyds Bank	£1	7	287	+ 5	306	242
Man. Agency & Music	10p	7	130	− 8	138	69
P. & O. Defd.	£1	7	77	− 1	118	76½
Rank Org. 'New'	Nil/pd.	7	14pm	− 1	17pm	7pm
Courtaulds	25p	6	105	− 1	131	103

APPOINTMENTS

Marketing director for Cavenham Communications

Mr. Derek Rogers, circulation sales director of Mirror Group Newspapers, will leave the company on April 30 to become marketing director of the newly-formed publishing company CAVENHAM COMMUNICATIONS, part of the Cavenham Group. Mr. Ron Cotton will succeed Mr. Rogers as circulation sales director of MIRROR GROUP NEWSPAPERS. He is currently deputy circulation sales director, and also circulation manager of the Daily Mirror.

*

Mr. M. J. Caley has joined LOWNDES LAMBERT GROUP as managing director of the construction division. He is also appointed to the Board of the international non-marine division.

*

Joining the Board of ACME SIGNS AND DISPLAYS, Enfield, are Mr. David Fonltney, previously production manager, who becomes production director; Mr. Richard Kitson, previously chief buyer, as supply director; and Mr. Ronald Wadge, previously chief accountant, as finance director.

*

Mr. Michael Berman has been appointed an executive director of SAMUEL PROPERTIES.

*

The Transport Secretary has appointed Lord Caldecote as a part-time member of the British Railways Board. The appointment is for three years from March. Lord Caldecote has been chairman of Delta Metal since 1972. He is also chairman of Legal and General Assurance Society.

*

Mr. W. H. White retires from his post as company secretary and member of the management committee of HENRY BALFOUR AND CO., part of the world Sybron Corporation, on February 28.

*

The Secretary of State for Energy, has appointed Mr. John Burke, managing director of the Royal Bank of Scotland, as a part-time member of the Board of the BRITISH NATIONAL OIL CORPORATION.

*

The Privy Council has appointed Lord Trend, Rector of Lincoln College, Oxford and formerly secretary to the Cabinet, to be visitor to Loughborough University in succession to Lord Murray.

*

A. P. BANK, a subsidiary of the Norwich Union Life Insurance Society, has made the following appointments: Mr. P. G. Moss, chief manager; Mr. S. A. Lawson, Mr. G. F. Brzeskwinski, Mr. P. J. Haycock, Mr. A. R. Merchant, Mr. C. Micklewright, Mr. D. C. Ollett, and Mr. W. P. Thorpe, managers; and Mr. P. J. Beckett, assistant manager.

*

Mr. C. G. Bird has been appointed a managing director, and Mr. V. A. Prust has been appointed a deputy managing director of ALEXANDER HOWDEN INSURANCE BROKERS.

*

Mr. Charles Macfarlane has been made director and general manager of FORD AND SLATER GROUP, Leicester-based commercial vehicle distributors, whose Board has been reconstituted. Mr. W. J. C. Ford, managing director of UAC Motors, a division of UAC International, the parent company, continues as chairman with Mr. David Turner becoming group commercial director and Mr. W. Cheney group sales director. Mr. John Nicoll group service and development director, and Mr. Barrie Hargreaves group parts director with special responsibilities for marketing.

*

Mr. Graham Platts has been appointed marketing director of TRANSTRIP suppliers of low-voltage fluorescent lighting for automotive, caravan and marine use. Transtrip is a wholly-owned subsidiary of Hallam, Sleigh and Cheston.

*

Mr. Charles Mustard has been appointed divisional managing director of the JEFFERSON SMURFIT GROUP'S corrugated case interests in the UK in succession to Mr. Tony Cowper, who has left the group. Mr. Mustard was managing director of Smurfit Corrugated Cases, Dublin.

*

Mr. Brian Dix has been appointed managing director of NOLTON COMMUNICATIONS succeeding Mr. Barry Newman, who remains deputy chairman of that company and a director of the parent concern Nolton Limited.

*

Mr. Dermot Byrne has become a co-ordinating director for INTERNATIONAL PHOTOFINISHERS (UK), a subsidiary of Gratispool. Mr. John Cahill has taken over responsibility as laboratory manager in Dublin.

*

Mr. R. O. Harvey has been appointed managing director of BAKELITE UK and chairman of its executive committee. Mr. A. E. H. Williams has been made a director of the company.

*

barrel for the first well—have

Mr. Jan M. Wesenberg has been appointed managing director of SORLANDSBANKEN AS from May 1 in succession to Mr. Otto Tanche-Bergh.

*

Mr. J. F. Gibson and Mr. R. Selkirk have been appointed to the Board of UNITED BISCUITS (UK). Mr. Gibson remains managing director of United Biscuits (Agriculture) and will also take over responsibility for research and development at Maidenhead. Mr. Selkirk becomes managing director of the recently-formed UB Distribution Services.

*

Mr. Brian Stubbs has been appointed managing director of MECCANO. He joins the company from Wilkinson Match where he was a director of the garden tool division.

*

Mr. R. H. Metcalfe has joined the parent board of DAVIES AND METCALFE.

LONDON TRADED OPTIONS

Option	Ex'rc'se Price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	900	87	3	116	—	135	—	972p
BP	950	48	3	76	—	97	—	"
Com. Union	150	1½	5	4½	—	7½	—	142p
Cons Gold	180	32	7	35	7	43	—	206p
Cons Gold	200	14	23	19	15	27	—	"
Cons Gold	220	3½	63	11½	—	17	—	"
Courtaulds	100	8½	5	11	—	13½	—	105p
Courtaulds	110	3½	5	6	13	8	—	"
GEC	330	15½	5	28	—	39	—	325p
GEC	360	3	—	14	11	—	—	"
Grand Met.	100	20½	2	24	5	25	—	121p
Grand Met.	110	10½	8	14	25	16	—	"
Grand Met.	120	4	5	7½	40	10	—	"
ICI	330	40	36	50	—	59	—	369p
ICI	360	14½	—	30	7	38	—	"
Land Secs	220	51	13	36	—	—	—	266p
Land Secs	280	4½	6	12½	7	20	—	"
Marks & Sp	80	9	1	18	—	16	—	85p
Marks & Sp	00	3	—	6	35	2	—	"
Shell	500	143	5	—	—	—	—	639p
Shell	600	43	15	70	—	85	—	"
Totals			238		160		—	
		February		May		August		
BOC Intl.	70	1½	06	8	—	7½	—	72p
BOC Intl.	80	4	50	2	—	—	—	"
Boots	180	14	3	24	—	26	—	194p
Boots	220	—	47	4	—	7½	—	"
Boots	240	—	35	¾	—	—	—	"
Boots	260	—	20	¼	13	—	—	"
EMI	120	—	—	13½	8	16½	—	126p
EMI	130	¼	37	8	—	11½	2	"
EMI	140	¼	4	4½	6	7½	—	"
EMI	150	¼	35	1¼	47	6	10	"
EMI	160	¼	30	½	—	—	—	"
ImperialGp	00	¼	—	3½	65	4½	1	84p
RTZ	240	61	4	60	—	63	—	290p
RTZ	260	31	3	41	10	47	10	"
RTZ	280	11	30	29	20	36	40	"
RTZ	300	—	—	17	55	26	—	"
Totals			326		222		63	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P.E. Ratio
65	F.O.	20/2	123	68	Caledonian Hldgs.	110	−2	b7.3	1.6	0.2	10.1
"	F.O.	16/2	132	118	Hunting Assoc. Defd.	121	......	—	—	—	—
"	F.O.	0/2	37	31	M. Y. Dart Defd.	37	+1	—	—	—	—
05	Nil	—	5½pm	2pm	Sedgwick F. New 10p	2pm	−1½	T5.0	2.1	7.7	8.1

FIXED INTEREST STOCKS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p	+ or −
¶¶	F.P.	16/2	106p	102p	Assoc. Dairies 9¼% Pref.	103p	
1	Nil	23/2	1pm	1pm	Chepstow Race's 5% Cnv. Uns. Ln. 1988	1pm	
1100p	F.P.	26/1	99¾	99	Colne Valley Water 8% Red Prf 1983	99	
1100	F.P.	28/16	100½p	99p	Findlay 8% Cnv. Cum. Red. Prf.	100p	
¶	F.P.	8/1	145	102	Hawley-Leisure 10% Cnv. Uns. Ln. [illegible]	145	
¶	F.P.	1/3	101½	100	Mid Kent Water 8% Red Prf 1983	100½p	
98	F.P.	—	9¼	9¼	Mid-Southern Water 8% Red. Prf1984	9¼	
100p	F.P.	11/1	107p	100p	Rivington Reed 9½% Cnv. Cum. Red. Prf.	107p	
97½p	F.P.	9/1	95	95	Seascope 10¼% Pref.	95	
¶	F.P.	9/3	95p	95p	Shaw Carpets 10% 2nd Cum. Pref. £1	95p	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. Date	1978-9 High	1978-9 Low	Stock	Closing price p	+ or −
125	F.P.	2/3/3	171	154	Baker Perkins	165	−2
C$21½	Nil		18pm	15pm	Bank of Nova Scotia	18pm	−2
60	Nil		10pm	6pm	Burco Dean	10pm	+2
220	F.P.	14/2 6/4	280	263	Fisons	280	+4
60	Nil		5pm	3pm	Hawkins & Tipson	5pm	
67	Nil		11pm	7½pm	Macpherson (D.)	11pm	+1½
58	Nil		4pm	2½pm	Montfort	4pm	+½
285	Nil		17pm	7pm	Rank Organisation	14pm	−1
10	F.P.	22/12 2/3	17½	14¼	Suter Electrical Defd.	16½	−1
18	F.P.	14/2 4/3	26½	25	Swan Ryan Intl.	26	
315	Nil		37pm	28pm	Taylor Woodrow	36pm	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed., Feb. 21, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Tues., Feb. 20 Index No.	Mon., Feb. 19 Index No.	Fri., Feb. 16 Index No.	Thur., Feb. 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	226.35	−0.2	17.98	5.88	7.63	226.89	225.72	223.37	222.77	196.12
2	Building Materials (28)	199.92	−0.5	19.18	6.56	7.18	200.99	198.82	196.71	196.69	173.16
3	Contracting, Construction (28)	339.13	+0.3	22.68	6.01	6.21	338.04	332.75	328.83	330.49	309.06
4	Electricals (15)	542.92	—	14.20	3.50	9.64	542.71	541.43	532.95	528.45	424.01
5	Engineering Contractors (12)	346.71	+0.5	19.38	6.53	6.98	344.92	341.65	339.11	338.63	280.77
6	Mechanical Engineering (73)	174.19	−0.4	19.19	6.39	6.95	174.95	174.80	173.77	173.37	156.44
8	Metals and Metal Forming (16)	155.76	−0.8	17.87	9.23	7.78	156.95	156.38	155.13	155.21	157.46
	CONSUMER GOODS										
11	(DURABLE) (53)	207.80	−0.4	16.99	5.22	7.87	208.57	206.77	203.57	201.51	180.16
12	Lt. Electronics, Radio, TV (16)	272.14	−0.4	13.92	3.84	10.07	273.33	270.67	265.18	261.91	216.22
13	Household Goods (12)	158.84	−0.3	18.68	7.35	7.40	159.28	159.15	158.96	158.94	164.08
14	Motors and Distributors (25)	113.48	−0.3	22.67	7.46	5.55	113.78	112.84	111.80	110.91	110.16
	CONSUMER GOODS										
21	(NON-DURABLE) (170)	209.10	−0.1	16.69	6.21	7.88	209.42	208.12	205.97	204.59	186.28
22	Breweries (14)	224.12	−0.2	17.04	6.71	7.45	224.59	222.63	220.79	221.46	207.38
23	Wines and Spirits (6)	297.54	+0.4	15.61	5.01	9.41	296.37	293.06	291.21	289.71	236.61
24	Entertainment, Catering (17)	275.94	—	15.85	6.86	8.34	275.95	274.18	270.24	268.56	235.47
25	Food Manufacturing (19)	197.68	−0.6	19.01	5.62	7.01	198.97	197.54	195.34	194.51	179.29
26	Food Retailing (15)	237.95	−0.2	13.56	4.95	10.03	238.44	232.28	228.35	226.88	184.29
32	Newspapers, Publishing (12)	382.12	+0.3	21.46	6.40	6.61	380.97	376.93	375.48	376.59	318.88
33	Packaging and Paper (15)	134.01	+0.1	18.82	7.86	6.95	133.91	133.83	131.88	130.49	128.85
34	Stores (40)	193.31	—	12.66	4.92	11.31	193.31	193.04	191.12	189.62	170.92
35	Textiles (23)	169.85	−0.3	18.98	8.87	6.82	170.35	170.42	169.31	168.59	170.67
36	Tobaccos (3)	243.89	−0.2	23.25	8.44	4.94	244.39	242.91	241.33	236.77	222.42
37	Toys and Games (6)	90.48	−0.5	24.52	7.18	4.81	90.97	90.28	90.05	90.86	96.85
41	OTHER GROUPS (99)	195.77	−0.1	15.70	6.39	8.19	196.02	195.51	192.59	191.19	179.15
42	Chemicals (18)	281.72	−0.5	15.72	6.72	8.24	283.12	283.29	277.97	273.99	244.99
43	Pharmaceutical Products (7)	240.41	−0.7	11.56	4.84	10.48	242.21	242.23	237.87	235.46	239.28
44	Office Equipment (6)	125.51	+0.3	15.96	6.48	7.84	125.19	123.83	121.76	122.26	123.40
45	Shipping (10)	406.18	+1.0	14.89	7.48	8.52	402.10	404.75	405.27	405.82	421.92
46	Miscellaneous (58)	212.48	+0.3	18.31	6.77	7.20	211.79	210.22	207.76	207.35	186.47
49	INDUSTRIAL GROUP (494)	216.84	−0.2	16.77	6.10	7.89	217.24	216.10	213.54	212.24	192.32
51	Oils (6)	556.74	−0.3	12.54	3.62	8.67	558.56	557.25	553.15	550.65	433.37
59	500 SHARE INDEX	244.60	−0.2	16.06	5.68	8.01	245.11	243.94	241.24	239.83	212.44
61	FINANCIAL GROUP (115)	171.23	+0.2	—	5.76	—	170.82	169.97	167.86	167.44	158.22
62	Banks (6)	204.80	+0.5	24.36	5.79	5.88	203.83	205.70	201.70	200.06	178.54
63	Discount Houses (10)	223.46	+0.7	—	8.17	—	221.81	216.37	213.83	212.54	195.39
64	Hire Purchase (5)	158.42	+0.1	20.17	5.56	6.36	158.25	158.17	155.32	152.69	145.82
65	Insurance (Life) (10)	128.36	−0.5	—	7.32	—	129.05	127.85	126.44	127.27	133.29
66	Insurance (Composite) (7)	118.04	+0.1	—	7.43	—	117.97	116.80	115.53	115.27	123.66
67	Insurance Brokers (10)	301.99	—	16.48	6.37	8.70	302.12	302.92	300.72	299.67	308.60
68	Merchant Banks (14)	77.82	−0.1	—	6.44	—	77.91	76.74	76.98	76.60	75.02
69	Property (43)	294.78	+0.5	3.59	2.74	44.65	293.26	288.79	285.08	284.13	290.37
70	Miscellaneous (10)	112.44	+0.6	20.09	7.01	6.19	111.82	111.27	111.94	111.16	102.11
71	Investment Trusts (111)	207.66	+0.1	—	5.17	—	207.44	206.66	206.83	207.33	181.84
81	Mining Finance (4)	123.64	+2.8	15.20	5.76	8.10	121.26	120.84	118.90	118.79	98.16
91	Overseas Traders (20)	326.02	+0.5	14.95	7.52	8.50	324.37	320.69	319.82	317.45	266.76
99	ALL-SHARE INDEX (750)	225.65	—	—	5.71	—	225.76	224.64	222.30	221.27	197.85

FIXED INTEREST PRICE INDICES

	British Government	Wed., Feb. 21	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	102.44	+0.07	—	1.46
2	5-15 years	106.55	—	—	1.18
3	Over 15 years	109.41	+0.02	9.54	2.09
4	Irredeemables	119.31	+0.26	—	0.80
5	All stocks	106.81	+0.04	9.31	1.67

	FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Wed., Feb. 21	Tues., Feb. 20	Year ago (approx.)
1	Low	5 years	10.29	10.38	7.76
2	Coupons	15 years	12.11	12.10	10.07
3		25 years	12.92	12.92	10.53
4	Medium	5 years	13.17	13.17	9.85
5	Coupons	15 years	13.57	13.57	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	14.11	14.10	[illegible]
9		25 years	13.91	13.91	[illegible]
10	Irredeemables		12.58	12.55	[illegible]

		Wed., Feb. 21 Index No.	Yield %	Tues. Feb. 20	Mon. Feb. 19	Fri. Feb. 16	Thur. Feb. 15	Wed. Feb. 14	Tues. Feb. 13	Mon. Feb. 12	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	51.38	14.36	51.37	51.36	51.83	51.50	52.27	52.34	52.31	61.19
16	Investment Trust Prefs. (15)	48.68	14.33	48.72	48.81	48.12	47.98	48.01	47.88	47.86	57.17
17	Coml. and Indl. Prefs. (20)	69.58	13.74	69.60	67.78	67.76	67.76	67.64	67.41	67.46	77.48

‡ Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

LEADERS AND LAGGARDS

The following table shows the percentage changes† which have taken place since December 29, 1978, in the principal equity sections of the F.T. Actuaries Share Indices. It also contains the Gold Mines Index.

Gold Mines	+25.86	Merchant Banks	+ 0.68
Mining Finance	+18.75	Industrial Group	+ 0.48
Overseas Traders	+10.83	Pharmaceutical Products	− 0.21
Oils	+10.54	Food Manufacturing	− 0.35
Property	+ 8.66	Toys and Games	− 0.54
Wines and Spirits	+ 4.92	Shipping	− 1.01
Food Retailing	+ 4.75	Building Materials	− 1.17
Electronics, Radio and TV	+ 4.36	Metal and Metal Forming	− 1.51
Banks	+ 4.26	Capital Goods Group	− 1.66
Discount Houses	+ 4.17	Engineering Contractors	− 2.14
Tobaccos	+ 3.95	Insurance Brokers	− 2.39
Newspapers and Publishing	+ 3.56	Office Equipment	− 2.73
Entertainment and Catering	+ 3.13	Breweries	− 2.97
Chemicals	+ 2.86	Insurance (Life)	− 3.06
All-Share Index	+ 2.52	Hire Purchase	− 3.29
Packaging and Paper	+ 2.43	Mechanical Engineering	− 3.50
Investment Trusts	+ 2.29	Insurance (Composite)	− 3.71
500-Share Index	+ 2.04	Household Goods	− 4.24
Stores	+ 1.87	Textiles	− 4.51
Financial Group	+ 1.77	Motors and Distributors	− 4.84
Consumer Goods (Non-durable) Group	+ 1.34	Contracting and Construction	− 5.56
Other Groups	+ 1.15		
Electricals	+ 1.11		
Consumer Goods (Durable) Group	+ 0.65		

† Percentage changes based on Tuesday, February 20, 1979 indices.

AUTHORISED UNIT TRUSTS

Discretionary Unit Fund Managers
22, Blomfield St., EC2M 7AL. 01-638 4485

Dis. Inc. Feb. 9	177.3	189.1	.....	5.08

E. F. Winchester Fund Magt. Ltd.
Old Jewry, EC2. 01-606 2167

Great Winchester	17.7	19.3	....	5.02
Gt. Winchester O'seas	17.90	19.8	....	4.49

Emson & Dudley Tst. Mngmnt. Ltd.
20, Arlington St., S.W.1. 01-499 7551

Emson Dudley Tst.	70.3	75.6	....	7.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	68.2	71.7	....	4.43

Magnum	207.2	222.7	+2.7	4.98
(Accum. Units)	265.6	285.5	+2.1	4.98
Midland	183.1	195.0	+1.1	7.48
(Accum. Units)	310.6	330.8	+1.9	7.48
Recovery	93.4	97.5	+0.7	3.70
(Accum. Units)	97.4	103.7	+0.7	3.70
Second Gen.	177.8	192.9	+2.2	5.42
(Accum. Units)	275.2	298.6	+3.4	5.42
Smaller Companies	174.8	187.9	+1.4	3.94
(Accum. Units)	225.9	242.8	+1.9	3.94
Specialised Funds				
Trustee	146.8	154.9	+1.8	6.83
(Accum. Units)	292.6	309.3	+3.6	6.83
‡‡Charbond Feb. 20		100.8	+1.9	12.82
‡‡Charifund Feb. 20	145.9	148.1	...	8.32
(Accum. Units)	194.1	197.1	.....	8.32
Pens. Ex. Feb. 19	139.5	147.2	.....	6.15

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101

Growth Units	55.6	58.5	....	4.34

CORAL INDEX: Close 454-459

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	12.62%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
P.O. Box 98, Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	115.0	185.0	....	—

As at Jan. 31. Next sub day Feb 28

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$313.99		2.40
Jardine J'pn.Fd.*	HK$397.14		0.90
Jardine S.E.A.	$US17.31	.....	1.90
Jardine Flem.Int.	$HK12.03	..	—
Intl.Pac.Secs.(Inc.)	HK$13.34	..	—
Do. (Accum.)	HK$13.53	.....	—

NAV Feb. 15. *Equivalent $US85.17. Next sub. day February 15.

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy CI 0534 73741

CMF Ltd. Jan. 25	$US14.45	14.82	....	2.90
CMT Ltd. Jan. 25	£14.83	£15.20		2.88
Metals Tst. Feb. 15	£15.04	15.41		5.46
TMT Feb. 8	$US10.45	10.72	....	2.86
T.M.T. Ltd. Feb. 8	£10.51	10.78		1.26

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US16.20	+0.19	—

Wren Commodity Trust
10 St George's St. Douglas IoM 0624 25015

Wren Commod. Tst.	111.7	112.8	...	—

NOTES

Prices do not include $ premium, except where indicated ⊕, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ⊕. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

1978-79 High	Low	Stock	Price £	+ or –	Int.	Red.
101½	86	Do. 11¾pc Uns.Ln. '90	87½	+½	13.72	14.40
71½	57	Do. 7¼pcADeb. '89-92	58½	+¼	12.82	14.70
71½	53½	Do. 7¼pcA Db. '91-94	55½xd	.....	13.06	14.60
84½	64½	Do. 9pc 'A' '91-94	66xd	+½	13.64	14.60
81¼	62½	Do. 8¾pcLn. '92-97	64xd	.....	13.86	14.00

FOREIGN BONDS & RAILS

1978-79 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	22	.....	—	—
41	33	Do. 5pc Pref.	40	.....	—	—
98	98	Chilean Mixed	98	.....	—	£3.10

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 46⅛% (based on US$2.0080 per £)

Conversion factor 0.6814 (0.6850)

CANADIANS

[illegible]

S.E. List Premium 46⅛% (based on $2.3999 per £)

BANKS AND HIRE PURCHASE

1978-79 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								
83½	58	F. C. Finance	63	.....	†2.03	2.6	4.8	12.1
8⅓	1¼	First Nat. 10p	6½	+¼	—	—	—	—
3	½	Do. Wrnts. 75-83	2¼	.....	—	—	—	—
14½	9½	Fraser Ans. 10p	13¾	.....	—	—	—	—
199	157	Gerrard Natnl.	196	+2	g9.12	—	6.9	—
59	37	Gibbs (A.)	45	–1	2.23	—	7.4	—
255	195	Gillett Bros. £1	230	+5	16.95	—	11.5	—
29	19	Goode D't Mry.5p	22½	+1	0.13	—	0.8	—
142	96	Grindlays	117	.....	2.79	7.1	3.6	4.2
130	93	Guinness Peat	103xd	.....	H5.67	—	8.2	—
217	155	Hambros	174	–2	†9.76	—	8.4	—
100	78	Hill Samuel	84	+1	†4.97	—	8.8	—
600	50	Do. Warrants	50	.....	—	—	—	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

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[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 12171 Tel: 240 555

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922

Bonn: Presshaus 11/104 Heussallee 2-10. Telex 8869542 Tel: 210039

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MINES—Continued

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GOLDS EX-$ PREMIUM

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Investment Trusts

Finance, Land, etc.

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EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- 6 Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ⁑ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 42

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

OPTIONS

3-month Call Rates

FINANCIAL TIMES
Thursday February 22 1979

FACILITY OF £364m MAY BE RENEGOTIATED

Egypt runs into problems with IMF

BY ROGER MATTHEWS IN CAIRO

EGYPT AND the International Monetary Fund are facing the prospect of a full-scale renegotiation of the $730m (£364m) three-year extended fund facility. The arrangement, agreed only last summer, is critical to the country's economic recovery.

A decision is expected within the next three weeks and both sides are thought likely to agree that a comprehensive revision would be preferable to a patching-op operation that could quickly run into fresh difficulties.

The Egyptian Government is particularly anxious not to lose the IMF seal of approval just now. It is planning to raise $400m on international capital markets in the coming months. More ambitiously, President Anwar Sadat will set off on the first leg of his world tour in an attempt to secure the $15bn that he is asking for over the next five years.

Problems have arisen with the IMF over Egypt's failure to keep the country's fiscal deficit within certain limits laid down in the letter of intent. Since the first drawing of about $90m when the agreement was signed Egypt has been unable to meet the conditions for utilising the second tranche of $60m due from November 15 or the third tranche of $90m which should have been available from February 15.

Bankers emphasise that Egypt's foreign currency position has improved markedly in the past 12 months and there is no urgent need for the IMF drawings. However they will almost certainly be required later this year, quite apart from the international approval that would accompany a successfully managed programme.

There are already indications that the Government is planning what would amount to a "mini-budget" later this year in a further effort to increase revenue and reduce the forecast net budget deficit of about $1.7bn. The overall budget deficit is estimated for the year at over $3.8bn.

Dr. Ali Lutfy, the Minister of Finance, said earlier this week that detailed studies were under way for a single unified sales tax, new means of combating tax avoidance and ways of reducing the losses of public sector companies. He also again hinted that the Government was still considering action on the politically sensitive subsidies bill which this year will amount to more than $1.5bn.

Egypt is still believed to be hopeful that the IMF might agree to overlook the breaches in the undertakings that have occurred so far and a recent visit to Cairo by a team from the Fund was publicly presented as a great success. However, it is understood that the amounts by which the fiscal deficit limits have been exceeded are of such a magnitude that unless a new understanding is reached a further deterioration would be almost inevitable.

It is also stressed that, while these difficulties are not entirely unexpected, they should be far less of a problem to resolve than, for example, those the IMF faces in its dealings with Turkey.

THE LEX COLUMN

Eagle Star changes its spots

Prudential did it first: now here comes Eagle Star, with proposals to wave a wand and turn itself into a holding company. Like the Pru, its motives are nothing as vulgar as a wish to get around dividend controls. Although Eagle Star will have greater freedom in its new form, it will not be able to exploit this for another year and anyway its existing dividend cover is not high by the standards of the insurance sector. It could be under 3 for 1978.

The Pru's main objective was to rationalise its management structure following major expansion of new activities like linked life assurance and reinsurance. With Eagle Star, the emphasis is slightly different. It is a very diversified business with a large life assurance side and important trading interests, like Grovewood Securities, which are right outside the insurance sector. The Department of Trade's method of calculation results in Grovewood being written down very heavily for solvency margin purposes. Its worth to shareholders would be reflected much more clearly once it stopped being a subsidiary of an insurance company.

In addition, Eagle Star thinks that regulatory authorities are increasingly tending to require a split between life and non-life activities. And it may be no coincidence that both the Pru and Eagle Star have a higher commitment to the UK than many of their rivals. If nationalisation were ever to come, amputation could be less painful under a holding company structure.

Will other companies follow what is already common practice in the U.S.? The answer probably depends on how diversified they are. In theory, there is a great attraction in establishing a holding company which can borrow money in its own right to pump up the equity capital of its insurance subsidiaries when required. By contrast an insurance business gains nothing by borrowing in its own name: it merely creates a matching liability which neutralises the impact of loans on its reserves.

But insurance is a highly geared business at the best of times. If a non-diversified holding company was to raise significant debt to bolster the equity of its subsidiary, the impact on shareholders during a slump could be disastrous. Most of the leading composite companies considered the idea, and rejected it as irrelevant.

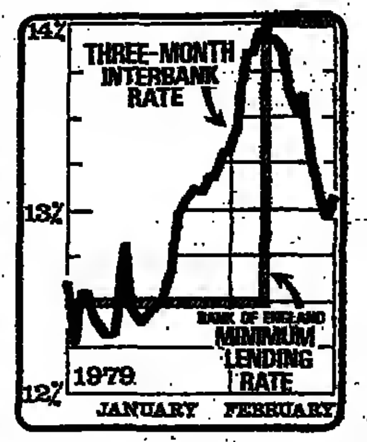
Carrington Viyella

Carrington Viyella has not been able to recover the first half profits setback of £2.7m pre-tax, and despite a certain amount of growth in the second six months the year's total before tax and exchange adjustments is a tenth lower at £14.5m. With sales up just 8 per cent on the year it is clear that volume growth has not been all Carrington would have liked at a time of rising consumer spending.

The garment side has, in fact, performed quite well, and so have household textiles. But the good conditions have not extended to fabrics: imports have bitten severely into the market share of the worsted side, where profits have halved. Meanwhile the carpet business suffered serious industrial disruption during the peak autumn months and the Ford strike was also an important negative factor towards the end of the year—these two disputes could have trimmed a little more than £0.5m from profits. Overseas, at least, the picture was usefully better, with Canada and South Africa going well and generating a rise of £0.7m in overseas operating profits.

The exceptional items have had a mixed impact—there is an exchange loss of £0.8m against a surplus of £0.5m while reorganisation costs are down from £2.2m to £0.7m, but this benefit may have been roughly offset by the halving of Temporary Employment Subsidy. For the current year Carrington is keeping its cards close to its chest. Consumer spending ought to recover from a rotten January, but fibre prices are set to rise steeply and the gilt edged market showing no sign of wilting, the stage is set for a sizeable oversubscription of the two new tap stock issues this morning. As both are only £15 paid, less than £200m needs to be put up, and last night brokers were suggesting that the two issues could be oversubscribed four to five times and might open tomorrow at a premium of at least half a point.

Index fell 3.4 to 456.9



Tap stock issues

With sterling rising yesterday to its highest level since early January and the gilt edged

Provided both new issues are swallowed at once, it will mean that the authorities will have tied up close to £4bn of new gilt funding in the last three months — considerably more than in the first eight months of the current financial year. By any standard this is an impressive display and assuming that there are no sizeable disruptive foreign inflows over the next few weeks, the authorities can afford to relax a little.

The gilt-edged market's new-found euphoria has communicated itself to the money markets. Three-month interbank rates have fallen by a full percentage point over the last fortnight and there is increasing talk of an imminent cut in Minimum Lending Rate, although this is unlikely to happen on the same day as the authorities open and close applications for two new issues.

Politically, there is good reason for a cut in MLR since it just might pre-empt a rise in the building societies' mortgage rate and, incidentally, help to discourage foreign inflows. But further down the line this latest orgy of gilt funding will pose serious problems for the corporate sector since it will only accentuate the prospective financial squeeze and interest rates could rise again in a few months time as companies scramble for what funds there are left.

English Property

Nobody seems willing to put in a knock out bid, but the public auction for English Property Corporation is still rolling along merrily. With time running out on the 46p per share offer from Wereldhave, the Dutch investment group, up pops the third contender with the fourth bid: 50p per share cash from the private Canadian company, Olympia and York Developments. The Canadian company has already bought more than 10 per cent—which means that they could stay in as an awkward minority if Wereldhave comes back—and conditional support from Eagle Star takes its interest up to 38 per cent. Other shareholders can just sit back and watch.

Canadian company bids £48m for English Property

BY CHRISTINE MOIR

OLYMPIA AND YORK, a privately-owned Canadian company, has stepped into the open with a £48m, 50p a share cash offer for English Property Corporation. This tops by 4p the latest offer from Wereldhave, the Dutch suitor.

Since Olympia let it be known at the beginning of the month that it was bolding talks with EPC's board its advisors have been buying steadily in the market at prices up to 50p. As a result it owned an 11.6 per cent stake in the British property group by close of dealing yesterday.

In addition it has won acceptance for its offer from Eagle Star, EPC's largest shareholder with 26 per cent of the equity, which itself made a short lived bid for EPC, offering 44p, only in January.

Eagle Star had earlier conceded to Wereldhave and announced that it would accept 46p from the Dutch group in the absence of a higher offer. The same condition applies now to Olympia.

Although Olympia says that its talks with EPC's board have been amicable its offer was not accompanied by EPC's blessing. The board will be considering the offer at a meeting today.

Mr. Stanley Honeyman, chief executive of EPC, has already rejected Wereldhave's 46p offer as inadequate and told shareholders that they have assets worth at least 71p a share.

EPC has steadfastly held out against Wereldhave since last June when the Dutch group first made overtures based on a breakup of the portfolio held in Britain, and retention of the European and important Canadian holdings. Those talks were broken off in January when Wereldhave announced a 37p offer, prompting Eagle Star to enter the arena and protect its own holding with a 44p bid.

Olympia has not so far announced its intentions for the company though it describes itself as a long-term investor. Owned by Albert and Paul Reichman it is one of the largest property companies in Canada with assets of well over C$1bn.

The key attraction to Olympia is EPC's holding in the Canadian Trizec Corporation. Under a complicated arrangement EPC is the majority shareholder in Trizec but voting control is vested with Carena Properties, a company controlled by two more property brothers, Edgar and Paul Bronfman.

The Bronfman's have already come to a conditional agreement with Wereldhave over the relationship in Trizec which should ensure Wereldhave the blessing of the Canadian authorities in its investment. Olympia, as a Canadian company, does not need such permission. It could therefore be assured of partnership in Trizec thus yoking together the biggest competitors in the Canadian property markets.

Preference shareholders are being offered 100p in cash and loan stock holders £117. This puts a total price tag on the group of £54m.

Vietnamese army moves close to Chinese force

BY RICHARD NATIONS IN BANGKOK

THE SIMMERING war between China and Vietnam was in danger of escalating yesterday as Vietnam moved large units of its regular army close to Chinese positions.

At the United Nations, the U.S. was expected to make a formal request for a Security Council special session on the crisis in Indochina. Mr. James Leonard, U.S. deputy permanent representative at the UN, confirmed after meeting the five Western members of the Council that the State Department was "moving in that direction."

The main body of the 100,000 strong Chinese invasion force was holding fast although some rear units were reported to be pulling back towards the border.

China again denied that its troops were withdrawing and said that fighting was still continuing, but intelligence reports indicated that orders had been transmitted from the Chinese army command to units in the field to prepare for a general pull-back.

The Soviet Union also enlarged its intelligence gathering fleet in the South-China Sea by despatching the 16,000-ton Sverdlov cruiser equipped with 152 mm cannons, and a Krivak-class missile bearing destroyer.

Although the Sverdlov is the largest ship in the Soviet Pacific Fleet, its presence in the South-China Sea is not thought here to amount to much more than a show of support for Vietnam without altering the military balance.

Until two days ago Vietnam held the bulk of its thin main force units—estimated to be no more than three depleted divisions — well in the rear, leaving border guards and lightly armed militia to tackle the four heavily reinforced Chinese divisions which crossed into Vietnam on Saturday morning.

Now that the Chinese may be preparing to withdraw, there is speculation that the Vietnamese may be moving the regular army up to harry their retreat.

Radio Hanoi focused its battle report on the Friendship Pass area, the strategic corridor which commands the historic northern invasion route down Highway 1-A to Hanoi.

Foreign Correspondents, including Western and Japanese reporters, were allowed to visit Lang Xon—20 kms from the pass — and reported that columns of Vietnamese infantry were digging in around the evacuated provincial capital and setting up artillery batteries with 105 and 130mm cannons.

Elements of a Chinese division with supporting artillery and armour units are positioned in the hills surrounding Dong Dang, a small crossroads near Friendship Pass and 10 kms north-west of Lang Xon.

A similar confrontation may be building up at other points where the Chinese have entered, and although the Vietnamese are thought likely to try to avoid a direct clash with superior and well fortified Chinese forces, wider-ranging battles are not ruled out.

The fighting is believed to have been light so far in spite of exaggerated casualty figures claimed by both sides.

Britain 'paymaster for farming in Europe' Silkin claims

BY CHRISTOPHER PARKES

BRITAIN, now the biggest net contributor to the Common Market's farm budget, has become the "agricultural paymaster" of Europe, Mr. John Silkin, Minister of Agriculture, claimed in London last night.

Bad for Britain, Europe and the world, the Common Agricultural Policy would cost the EEC £6.4bn this year, he said. Of this almost £3bn would be spent on export subsidies for surplus food and a further £2bn would pay for buying, stockpiling and subsidising sales of excess production.

To right matters the Government was committed to cutting or freezing farm prices this year and for as many years as necessary until there were no more structural surpluses, he told the Diplomatic and Commonwealth Writers' Association.

"As far as the UK is concerned, we believe that this is the year of the great change.

"Some of our EEC partners seem not to believe that we are serious in our insistence on a prices freeze.

"I assure them that we are. This is not a negotiating tactic —and to suppose so would be to misunderstand the degree of the Government's concern about the cost of the CAP."

Plainly encouraged by recent public support for his tactics from Mr. Denis Healey, Chancellor of the Exchequer, and a hardening of the Government's attitude towards the Community, Mr. Silkin said he was heartened by reports of consumer complaints in Europe over the cost of the CAP.

"In Europe the voice of the consumer is being heard for the first time. Indeed . . . it appears to be speaking German and to be called the Arbeitsgemeinschaft der Verbraucher (Consumers' Association)" he said.

The cost of the policy had risen more than 60-fold in the past 12 years while the gap between EEC prices for basic foodstuffs and those on the world market had tended to widen.

Over the years the Council of Ministers had evaded the real issues.

"They have failed to heed our warnings and have gone on making decisions on prices which they knew were storing up trouble."

Insisting that Britain would stand by its commitments to buy food from New Zealand, Mr. Silkin claimed there were still many suppliers who would be happy to sell produce cheaply to Britain but were prevented by import levies and the other protective arrangements.

● Strong criticism of the size of Britain's contribution to the EEC budget was made in the House of Commons last night by Mr. Denzil Davies, Minister of State at the Treasury.

He said that present arrangements for financing the budget were badly out of balance and bore no relation to the ability of countries to pay.

"Our level of net payments is out of all proportion to our relative prosperity," he declared. "The burden is growing each year. If it continues unabated it will have an increasingly adverse effect upon our balance of payments."

The effect of the UK's budget payments was "random and downright perverse," he said. It was essential that the Community's policies should reflect an overall balance.

The Minister was opening a Commons debate on the current EEC budget proposals.

Britain accused over fishing measures, Page 2

Foreign exchange market intervention change call

BY MARY CAMPBELL

A NEW approach to foreign exchange market intervention was needed Mr. Harold Lever, Chancellor of the Duchy of Lancaster said yesterday. He was speaking at a conference on Euromarkets sponsored by the Financial Times.

Mr. Lever said that past interventions by central banks on the exchanges had been "spasmodic and incoherent" when co-ordinated and purposeful interventions were needed to ensure that the dollar parity reflected differential inflation rates and economic fundamentals between the U.S. and other countries.

Conference report, Page 5
Barclays Bank International calls for greater reserve role for the yen, Page 33

He argued that the dollar rate had been driven artificially low by the weight of dollars deriving from the necessary finance of the deficits of countries other than the U.S. These he said had amounted to an aggregate of over $350bn (£175bn) in the last five years and completely dwarfed the U.S. deficit of $20bn to $40bn.

These deficits could not be financed in future without a major rôle for the private sector. But if the task was to be done "reasonably smoothly and without disrupting the currencies of the world," the authorities must take greater responsibility for supportive arrangements for the parities of the currencies involved.

Mr. Lever also called for a greater role for the Special Drawing Rights, the IMF monetary unit, and the Deutsche Mark and Yen in deficit financing. Looking further ahead, he foresaw the need for a world central bank, which would incorporate the IMF and would co-ordinate political and monetary strategies in deficit financing and exchange market intervention.

On the question of whether the Euromarkets contribute to international financial instability, Mr. Lever implicitly took issue both with the Bank of England—which maintains that they merely transmit credit

Post Office pension fund £12.5m property deal

BY MICHAEL CASSELL

LEGAL AND GENERAL Assurance and Rothschild Investment Trust have combined to sell their leasehold interests in a central London office and shop property for £12.5m.

The purchaser of 129 Kingsway, WC2, is believed to be the Post Office Staff Superannuation Fund. The fund last year invested more than £50m in UK commercial property and said recently that it was having increasing difficulty in finding suitable property investments.

Legal and General and after the renegotiation of their head leasehold interest in the Kingsway property—which comprises 114,000 sq ft of offices and ground floor shops and banking facilities — they had jointly decided to sell. The sale price represented an initial yield of about 6 per cent.

Rothschild, which said it had held an interest in the building since 1971, stated that its net share of the proceeds from the sale was about £5.3m compared with a book value of £4.7m. Jones Lang Wootton advised the purchaser and Michael Laurie and Partners acted for Legal and General and Rothschilds.

Continued from Page 1

Italy Premier move

Andreotti administration.

The Communists — Italy's second largest party—are now demanding direct participation in a so-called government of national unity.

This has been flatly rejected by the Christian Democrats whose leadership meeting yesterday also rejected Communist proposals for an alternative coalition formula, which would see the Communists in government but which would be supported externally by the Christian Democrats.

President Pertini is known to be opposed to an early general election, and he is clearly now looking towards Sig. La Malfa as a possible solution.

It is unlikely, however, that the Christian Democrats, after 30 years of uninterrupted rule, will accept any compromise involving a government not led by one of its members.

In view of the continuing deadlock between the Communists and the Christian Democrats, the general view here last night was that Sig. La Malfa was unlikely to succeed in resolving the crisis and prevent the eventual dissolution of parliament, which, in turn, would open the way to early elections.

Weather

UK TODAY

SCATTERED showers. Mainly cloudy.

London, S.E. England, E. Anglia
Mainly dry. Dull. Max. 4C (39F).

Cent. S. and E. England, Midlands, Channel Is.
Dull, perhaps light rain. Max. 5C (41F).

S.W. England, Wales
Rain at first, becoming dry. Max. 8C (46F).

N. England
Drizzle. Bright intervals later. Max. 6C (43F).

Scotland, N. Ireland, I. of Man
Mainly dry, sunny intervals. Max. 7C (45F).

● Outlook: Mostly dry. Bright intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	13	55	Lisbon	R	11	52
Algiers	S	16	61	Locarno	C	6	43
Amdm.	Fg	−2	29	London	C	4	39
Athens	C	6	43	Luxmbg.	C	0	32
Bahrain	S	22	72	Madrid	F	8	46
Barcina.	F	12	54	Majorca	F	13	55
Beirut	C	15	59	Malaga	C	16	61
Belfast	R	5	41	Malta	T	11	52
Belgrd.	S	3	37	M'chstr	C	2	36
Berlin	S	−1	30	Melbne.	C	28	82
Biarritz	S	12	54	Mex. C.	S	22	72
Bmghm.	C	1	34	Milan	S	6	43
Blackpl.	C	4	39	Mntreal.	C	0	32
Bordx.	S	5	41	Moscow	S	−5	23
Boulgn.	Fg	−1	30	Munich	Sn	−1	30
Bristol	C	4	39	Nairobi	S	24	75
Br'sels	Fg	−2	28	Naples	C	11	52
Budpst.	S	4	39	Nwcstl.	C	1	34
B. Aires	S	25	77	N. York	R	2	36
Cairo	S	21	70	Nice	S	12	54
Cardiff	C	3	37	Oporto	R	10	50
Cas'b'ca	C	15	59	Oslo	C	−2	28
Cape T.	S	27	81	Paris	C	3	37
Chicago	C	3	37	Perth	S	23	73
Cologne	S	3	37	Prague	S	0	32
Cpnhgn.	C	−2	28	Rykjvk.	Sl	3	37
Corfu	C	10	50	Rhodes	S	9	48
Dublin	R	5	41	Rio J'o	C	27	81
Dbrvnk.	F	10	50	Rome	C	13	55
Ednbgh.	C	3	37	Salzbrg.	S	2	36
Faro	R	12	54	Singapr.	S	29	84
Florence	S	8	46	Stckhm.	C	−2	28
Frankft.	S	3	37	Strasbg.	C	1	34
Funchal	F	16	61	Sydney	C	25	77
Geneva	C	3	37	Tangier	C	15	59
Gibrltr.	C	15	59	Tehran	S	20	68
Glasgow	C	4	39	Tel Aviv	S	17	63
G'nsey	C	3	37	Tenerife	C	12	54
Helsinki	C	−4	25	Tokyo	S	16	61
H. Kong	C	25	77	Toronto	R	1	34
Innsbrk.	S	5	41	Tunis	F	13	55
Invrnss.	C	6	43	Valencia	C	12	54
I.o.Man	R	4	39	Venice	S	5	41
Istonbul	C	0	32	Vienna	S	3	37
Jersey	C	2	36	Warsaw	F	−4	25
Jo'burg	S	27	81	Zurich	C	2	36
L. Plms.	F	18	[illegible]				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.

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